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The COMMERCIAL and FINANCIAL CHRONICLE

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Bretton Woods Bill Improved as Result Of Amendments, Says Burgess

Amendments adopted by the House Banking and Currency Committee on May 24 to the Bretton Woods Agreement Act constitute a substantial improvement over the provisions of the original bill, it was stated on May 28 by W. Randolph Burgess, Vice-Chairman of the National City Bank of New York, and President of the American Bankers Association. Mr. Burgess commented further as follows:

W. R. Burgess

Certain of the amendments are those recommended by the American Bankers Association, including: (1) the setting up of a Council, consisting of the Secretary of the Treasury, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Export-Import Bank, the duties

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For text of amended bill see page 2393.

For index of Regular Features see page 2420.

Reconversion and Foreign Trade

By HENRY A. WALLACE*
Secretary of Commerce

Asserting That Foreign Trade Will Be Even More Affected by Reconversion Than Domestic Trade, Secretary Wallace Urges a Liberal Policy for a Two-Way Commerce and Foreign Investments. Although Stating That Some Export Licensing May Be Continued to Prevent Inflation, Avers That to Avoid Criticism, the Government Should Withdraw From Business Supervision "When This Can Be Done Without Harming General Welfare." Advocates Lowering Trade Barriers, Reasonable Stability of Foreign Exchanges, Larger Imports and Greater Tourist Expenditures as a Means of Expanding Exports. Says There Will Be No "Planned Economy." In Another Address Deals with Peace Essentials.

Sudden peace brings as many problems as sudden war. Victory in Europe forces everyone in the United States to face the rapidly changing problems of reconversion. Foreign trade will be even more affected by reconversion than domestic trade.

Henry A. Wallace

The United States contributed mightily to the winning of this war. We probably used in battle more than a hundred times as much in the way of American produced munitions as in World War I. We demonstrated that we could double our output, that we could give our civilians a remarkably normal life, while at the same

(Continued on page 2414)

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*An address by Secretary Wallace before the World Trade Luncheon of the New York Foreign Trade Week Committee, Waldorf-Astoria Hotel, New York City, May 24, 1945, supplemented by an address on same date before the Institute of World Affairs at the New School of Social Research.

Domestic Politics Overshadow Security Conference Deliberations

By A. WILFRED MAY

Special Correspondent of the Commercial and Financial Chronicle

Delegates Becoming Increasingly Concerned Regarding Reaction of Congress to Various Proposals Advanced in the Social and Economic Spheres. Full Employment Issue Compromised, Although Not to Complete Satisfaction of American Delegation. Varying Interpretations of Meaning of Charter Still Bedevil Conferees and Question of Assuring "Free Access" of All Nations to World's Raw Materials Awaits Clarification. Further Conferences on Variety of Topics Expected to Be Held.

A. Wilfred May

SAN FRANCISCO, May 29.—The growing impact of domestic politics on the Conference is evidenced by its latest controversy. . . . This flared up here in great bitterness between the Americans and Australians yesterday. . . . Price Minister Forde and Foreign Minister Evatt, who at home are the leaders of Australia's strong Labor Government, had succeeded in inserting a "pledge" for strong social action in the draft for the incipient Economic and Social Council. . . . All nations were to pledge themselves "jointly and severally for action, both national and international, for improved labor standards, economic advancement, social security, and employment for all who seek it." **It is being as-**

(Continued on page 2416)

The Prospects of Inflation

By J. AUSTIN WHITE

Holding That Price Fluctuations Arising From Changing Positions of Demand and Supply Have Natural Checks, Mr. White Contends That Disastrous Inflation Is Due Mainly to Lack of Confidence in Monetary Stability, and That This Situation Is Developing Through Declining Gold Reserves Accompanied by Excess Monetary Circulation. This is Serious, Because Inflation Will Destroy the Purchasing Power of the Accumulated Cash, Savings and Investments. Sees Deficit Financing Contribution Toward Further Loss of Confidence and Says if Budget Is to be Balanced There Must Be Full Employment Without "Compensatory Spending" Which Does More Harm Than Good. Maintains That Prosperity or Depression in Post-War Will Depend on Fiscal Policy.

In the current plethora of discussion about "inflation," there has been all too little discussion of the most insidious and most dangerous cause of inflated prices, namely, an artificial demand for goods that is prompted by a lack of confidence in the soundness and stability of the money that the people own and use.

J. Austin White

Practically all of the discussion to date has centered around the possibilities of inflated prices, due to a small supply of goods and a huge demand that is quite genuine. This demand is genuine because it is based upon a real need for goods, since millions of people have for several years not been able to buy those articles that they would have bought long ago, had they

(Continued on page 2410)

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President Tells Congress Larger Unemployment Benefits Would Constitute "Prosperity Insurance"

Truman Urges Congress to Extend Unemployment Insurance Benefits to 26 Weeks in Any One Year; to Up Rate to $25 a Week at Least for Those Having Dependents and to Extend Coverage to Federal Employees and Other Workers. Says These Provisions Are Essential for the Duration of the Reconversion Emergency to Insure Maintenance of Consumer Spending Power.

The full text of Mr. Truman's message of May 28 to Congress seeking emergency legislation to broaden unemployment compensation benefits as reported in an Associated Press dispatch from Washington follows:

President Truman

To the Congress of the United States:

The Congress and the executive branch of the Government have already moved to prepare the country for the difficult economic adjustments which the nation will face during the transition from war to peace.

1. The Congress has created the Office of War Mobilization and Reconversion to coordinate the reconversion activities of all Federal agencies, and that office has established basic reconversion policies.

2. Specific laws have been enacted by the Congress setting forth the policies and providing the administrative machinery for contract termination, plant clearance, financial aid to business, and the disposition of surplus property.

3. Our military and civilian agencies have prepared themselves to expedite industrial reconversion and reemployment.

4. As part of an over-all program for returning veterans the G. I. Bill of Rights provides "readjustment allowances," weekly cash benefits to veterans until they are able to obtain jobs.

5. Congress has permitted business to carry back post-war losses against profits tax payments during the reconversion period.

6. Congress has established support prices for agricultural products so that farmers will be protected against a post-war collapse of income.

Reconversion Gap

There remains, however, a major gap in our reconversion

(Continued on page 2405)

Outlook for Foreign Trade in A Stable Post-War World

By AMOS E. TAYLOR*

Director, Bureau of Foreign and Domestic Commerce

Commerce Department Official Holds That the Far Reaching Changes Produced by War Emphasizes Need for International Economic Cooperation. Asserts Our Prosperity Requires World Wide Economic Health and That for Full Employment Post-War Exports Must Be $10 Billions Annually. Advocates Foreign Investment for Industrialization of Undeveloped Areas and for Raising Foreign Living Standards to Secure Prosperity and Promote Peace, and Says Our Experiments in Foreign Lending Have Been Generally Profitable.

I have just come from Savannah whence the steamship bearing that city's name sailed on May 22, 1819, on what was an historic mission. We have goodly reason to celebrate this event, the real significance of which was hardly understood at the time. The intervening period of 126 years, thougn representing perhaps a relatively short span in the history of our nation, has bridged a wide gap in our industrial history. The period encompasses our growth from a nation of less than 10 million facing a broad western frontier to an ocean-to-ocean economic empire of more than 130 million. In 1819 we were engaged in the development of a system of internal transportation which after another half century carried us to the Pacific. At the time "The Savannah" set sail the Erie Canal was in process of construction and, like most undertakings of that type, it was financed largely by European capital. The Atlantic was not a barrier but an avenue of contact.

Amos E. Taylor

The economic development of the United States during the 19th century was accelerated and in fact made possible largely through the use of capital borrowed abroad. It was as a debtor nation that this country began its rapid physical growth and development. With a rapid increase in wealth and national income and a growing foreign demand for our agricultural products the meeting of interest and dividend payments was simply part of a happy process which assured ready and profitable world markets.

Our ability to produce and transport goods in large volume was clearly demonstrated to the world during the first world war when the weight of our participation quickly made itself felt on both the economic and military fronts. Private and public loans granted to foreign governments with which we eventually became associated in a common effort, together with a substantial liquidation by Great Britain, France and other foreign countries of their holdings in the United States shifted our international position almost over night from that of net debtor to net creditor.

I shall not be surprised if the historian of the future should find that the year 1945 marked the

(Continued on page 2400)

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*An address by Mr. Taylor before the Chamber of Commerce and Propeller Club of the Port of Charleston, S. C., May 23, 1945.

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Where to Questionnaire?

NASD Questionnaire Now Avowedly An Annual Feature. This Inquisition An Unwarranted Burden and Tends to Undermine Investment Industry. Membership Should Be Advised of Purposes and Vote on the Question

From time to time we have castigated the so-called regulatory bodies for saddling upon the securities field burdensome questionnaires.

It has been our view that the securities industry is not a sick one, and we have felt that prying into the affairs of dealers and brokers was not the function of self-regulatory bodies.

The power of visitation enjoyed by the Securities and Exchange Commission it seemed to us, annoying as it frequently can be, was adequate to insure fair and equitable trade practices.

In connection with its numerous questionnaires, we have asked where the National Association of Securities Dealers was going and whither it was tending.

The last issue of the NASD News is enlightening on this subject.

The Association makes it plain that the "examination of members" is considered to be an annual affair.

We quote:

"The Board of Governors at its meeting in January, after considering experience and results of questionnaire examinations in 1944 and 1943, favored continuation of the program in the current year."

"Instead of 50 consecutive principal transactions on which pricing information was obtained in 1944 and 1943, members are being asked this year to report on a maximum of 75 transactions, agency as well as principal."

"Members are also being called upon this year to supply completed sample confirmations on certain types of transactions."

It must, therefore, be clear that the program of inquisition is being extended, not only as to the number of transactions, but also as to additional information that is required, and yet, we are naively told in the same article that every effort is being made to simplify the examination.

Why does the Board of Governors of the NASD find it necessary to continue and extend this program?

There is an effective way of determining the reaction of NASD membership to the present practices.

Why doesn't the Board of Governors of the NASD poll the membership to ascertain whether by and large, they approve of this practice annually of being compelled to answer pricing questionnaires?

(Continued on page 2413)

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Post-War Spending and Inflation

By HARLEY L. LUTZ*

Professor of Public Finance, Princeton University

Professor Lutz Contends That of the $121.8 Billions of "Liquid" Savings Reported by the SEC, Only About $26 Billions May Be Destined for Consumer Spending. Holds Greatest Danger of Inflation Would Arise From Loss of Public Confidence in Purchasing Power of the Dollar and He Recommends Following Policy: (1) a Moderate Budget Financed on a Cash Basis; (2) a Taxation Just Sufficient to Cover Budget and Provide for Some Debt Retirement; (3) Repeal of All Legislation "Tinkering" With the Currency; and (4) a Green Light to Private Enterprise. Urges Relaxation of Wartime Controls.

"Inflation is just around the corner." "Inflation is inevitable." "Inflation is here."

Dr. Harley Lutz

Statements like these are being made with increasing frequency as the war progresses. They can be, and to many probably are, very alarming. Since both buying and selling stampedes are matters of psychology as well as of money and finance, it is desirable that some facts be clearly understood.

The economic phenomena which are called "inflation" and "deflation" express, in exactly opposite directions, the results of certain changes in purchasing power and prices. Taking a description of inflation as an example, it is possible to understand deflation by reversing the conditions. An inflation is ordinarily manifested in two stages. The first stage is an increase in the volume of credit, the second stage is an advance in prices. Credit rather than paper currency is the important factor in this country because so large a part of the purchasing power

(Continued on page 2406)

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*Reprinted from "The Tax Review" of May, 1945, issued by the Tax Foundation, New York, N. Y.

Practical Aspects of Foreign Trade Financing

By A. M. STRONG*

Vice-President, American National Bank & Trust Company, Chicago

Bank Executive Maintains That Most Countries Will Be Able to Finance Their American Purchases by Accumulated Balances of Gold and Foreign Exchange and by Our Heavy Post-War Imports, Which May Reach $10 Billions per Year. Says Banks Can Better Finance Normal Foreign Trade Than Government, Since They Have Facilities for Checking the Integrity of Buyers and Sellers. Holds Removal of Government Control Measures Are Essential to a Normal Foreign Trade, But Sees No Prospect for Their Early Elimination. Advocates Foreign Trade on a Sound Basis.

A. M. Strong

The nations of Europe are now faced with the hard task of rebuilding their devastated countries, of reestablishing their production facilities and of supplying their people with the needs of every-day life. Plans for international financial arrangements have been under discussion for quite some time. In July, of last year, representatives of 44 nations held a monetary and financial conference at Bretton Woods, New Hampshire. Agreements were reached for the estab-

(Continued on page 2418)

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*An address by Mr. Strong at the Foreign Trade Session of the Indianapolis, Ind., Chamber of Commerce, May 21, 1945.

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Bretton Woods: Some Questions Still Unanswered

By HERBERT M. BRATTER

Passage of the amended BW enabling bill in its present form will still leave unanswered various technical questions which were raised during the consideration of the Fund and Bank agreements.

Herbert M. Bratter

Will the Fund assure stability among different currencies, or flexibility? This question, which is at the bottom of the British and Anglo-American debate over BW, has been given no definite answer by the House Banking and Currency Committee. To give the question a different form: Is the Fund based on the gold standard, or on the opposite? If this question bothered the House Banking and Currency Committee, the fact is not evident in any of its amendments to the enabling bill.

Is BW part of a carefully-considered plan for post-war U. S. loans and investments abroad; and if so, just what is that plan and what is its scope? This question, which was most effectively and carefully expounded during the committee hearings by Repr. Jesse Wolcott, of Michigan, has not been answered. Mr. Wolcott raised objection to the Administration's making 30-year loans through the device of Lend-Lease. Subsequent action by Congress only increased the size of Mr. Wolcott's question mark. Yet the committee endorsed the BW program, as Chairman Spence has put it, in a manner that does not "change a word or alter a punctuation in the basic agreements." [For further questions raised, see additional advices on next page. Editor]

Have we any plan to assure that we will accept enough imports to make possible repayment of the vast foreign loans and investments intended through BW, repeal of the Johnson Act, expansion of the Export-Import Bank, etc.? Repr. Fred L. Crawford, of Michigan, repeatedly raised this question during the hearings on the BW bill. Obviously, the answers he received showed that there is not such a plan; and in the light of political realities in this country, there cannot be. Yet the committee reported out the bill, leaving this question to be answered by some future Congress and generation.

Will Russia be permitted to use the Fund for capital purposes, which is contrary to the expressed purpose of the Fund? The committee had before it, when voting for the American interpretation that the Fund shall be limited to truly short-term transactions, statements by two of this country's delegates to the BW conference—Mr. Edward E. Brown and Repr. Wolcott—to the effect that it was the understanding at BW that Russia would be permitted to use the Fund for capital purposes. The United States cannot unilaterally, or without making it up in some other way, undo an understanding reached among the delegations at BW. If Russia at BW demanded to use its $1,200 million quota in the Fund for capital goods purchases, it must be because Russia needs the capital goods and does not need that much short-term credit to balance its normal payments. We must assume, therefore, that before Russia consents to the "short-term" interpretation of the Fund now written into the American

(Continued on page 2405)

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Oliver Goshia

As head of the new firm, Goshia will continue to make markets in all local securities and conduct a general investment business.

He was president of the Bond Club of Toledo in 1944 and is currently a member of the Board of Governors. In 1941-42 he served as a member of the executive council of N.S.T.A.

Is There A Joker in the Fund Interpretation?

WASHINGTON, D. C., May 29—One of the amendments which the House Banking and Currency Committee has added to the Bretton Woods enabling bill has for its purpose to limit the Fund's operations to "temporary assistance to members in connection with seasonal, cyclical and emergency fluctuations in the balance of payments of any member for current transactions."

In view of the inclusion of the word cyclical in this amendment, the question may be raised as to whether the amendment really limits the Fund in any way. The supposed purpose of the amendment is to restrict the Fund to short-term operations. But "short-term" and "cyclical" are two mutually exclusive concepts.

This raises the question, therefore, whether the inclusion of the word cyclical may not make this entire amendment meaningless, even if it is adhered to by the Fund after the Fund begins operations.

H. M. B.

Editor's Note: The above report by Mr. Bratter should be considered in conjunction with his article on the adjoining page.

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Resurgence of Business Enterprise

By MURRAY SHIELDS*

Economist, Irving Trust Company

Business Economist, Asserting That We Are on the Edge of a Period of Resurgence of Private Enterprise, Predicts That We Are Shifting Away From the Pre-War Defeatist and Radical Doctrines to a General View-Point on Fiscal, Monetary Investment and Regulatory Policies That Will Be Middle of the Road. Sees Vast Potentialities for Industrial Expansion.

For many years business enterprise in this country has been a prisoner of its environment. In the late twenties it was smothered by the speculative excesses of the stock market boom. In the early thirties it was subjected to one of the most violent deflations the nation has ever experienced. Later in the thirties it was sacrificed to a program of social reform and economic experimentation which froze into immobility the forces making for expansion in a profit economy. But we seem now to be on the edge of a period of resurgence of private enterprise based in part on a vital change in the climate of public opinion and in part on war-born technological advances capable of opening up new vistas of growth and progress.

Murray Shields

Public opinion is in the process of shifting away from the defeatist doctrines so fashionable in the pre-war decade — doctrines that owed their popularity to the fact that a large part of our people lost their homes, insurance, securities, cash and self-respect in the early thirties. And when they

(Continued on page 2413)

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*An address by Mr. Shields before the Metropolitan League of Savings Associations, Hotel Astor, New York City, May 24, 1945.

Bretton Woods Bill As Amended

Full Text of Enabling Measure Reflecting Changes Approved by House Banking and Currency Committee

Below we give the official text of H. R. 3314, covering the Bretton Woods Monetary Agreements, and incorporating the amendments to the original proposal. The amended bill was adopted by the House Banking and Currency Committee by a vote of 23 to 3 on May 24.

79th CONGRESS
1st Session
H. R. 3314
IN THE HOUSE OF REPRESENTATIVES
May 25, 1945

Mr. Spence introduced the following bill; which was referred to the Committee on Banking and Currency:

A BILL

To provide for the participation of the United States in the International Monetary Fund and the International Bank for Reconstruction and Development.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Short Title

Section 1. This Act may be cited as the "Bretton Woods Agreements Act".

Acceptance of Membership

Sec. 2. The President is hereby authorized to accept membership for the United States in the International Monetary Fund (hereinafter referred to as the "Fund"), and in the International Bank for Reconstruction and Development (hereinafter referred to as the "Bank"), provided for by the Articles of Agreement of the Fund and the Articles of Agreement of the Bank as set forth in the Final Act of the United Nations Monetary and Financial Conference dated July 22, 1944, and deposited in the archives of the Department of State.

Appointment of Governors, Executive Directors, and Alternates

Sec. 3. (a) The President, by and with the advice and consent of the Senate, shall appoint a governor of the Fund who shall also serve as a governor of the Bank, and an executive director of the Fund and an executive director of the Bank. The executive directors so appointed shall also serve as provisional executive directors of the Fund and the Bank for the purposes of the respective Articles of Agreement. The term of office for the governor of the Fund and of the Bank shall be five years. The term of office for the executive directors shall be two years, but the executive directors shall remain in of-

(Continued on page 2402)

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Columbia Gas & Electric Corp. on Dec. 20 filed an integration program with the SEC which proposed to (1) reclassify the four classes of stock into one new common, and (2) distribute that common together with the common stocks of the two electric companies (Cincinnati Gas & Electric and Dayton Power & Light). This would have the effect of separating the gas and electric properties. The new common would be distributed to each old share in the following ratios: 6% preferred stock, 4 shares; 5% preferred, 3½; 5% preference, 3; common stock, 1/5. The number of shares received in each of the electric companies would be one-seventh as much as the new shares of Columbia. The three preferred stocks together would get 63.55% of the entire issue, and the old common would receive 36.45%.

While offhand this ratio would look very generous to common stockholders as compared with the 95-5 ratio for United Light & Power and the pending 85-15 ratio for Commonwealth & Southern, the situation is entirely different from the majority of holding company recapitalizations. The Columbia preferred stocks have always received their regular dividends and there are no arrears to encroach on the common stock's equity. Yet under the plan the 6% preferred stock would get 20 times as much as the common, the 5% 17½ times and the preference stock 15 times as much.

Over a period of years the claim on earnings of the three preferred stocks combined has had the following ratios to consolidated net income and parent company net income:

Year	Consolidated	Parent
1944	47%	65%
1943	46	65
1942	60	118
1941	62	79
1940	50	58
1939	64	60
1938	63	74
1937	49	57
1936	53	--
1935	59	--

In assigning 63.55% of the new common stock to the preferred issues, the maangement apparently paid more attention to parent company earnings than to the consolidated figures. Moreover, the calendar year figures for 1944, released after the plan was filed, made a much better showing for the common stock than did the Sept. 30th report, and the 1943 figures were also revised upward substantially in favor of the common.

Common stockholders now apparently feel that they should receive a "better break" in the final plan. President Hickey of United Corporation, holder of 20% of the common, entered a protest against the plan and received permission from the SEC to participate in the hearings. According to press reports Mr. Hickey favors issuance of rights to Columbia's common stockholders, permitting the company to sell the Cincinnati and Dayton equities and use the proceeds, with corporate cash, to pay off the outstanding $77,000,000 debentures.

On May 16th 12 holders of 23,000 shares of Columbia common, represented by Alfred Berman, urged the SEC to have the company placed under Federal trusteeship, if the management refuses to change the present plan substantially. The new group proposes that refunding operations for Cincinnati and Dayton should be consummated and that purchase rights should then be issued (as per the United Corp. suggestion), with proceeds used to retire debentures. The new plan goes a step further and proposes that $110,000,000 of new 1st mortgage and collateral trust bonds should be issued to redeem all the outstanding preferred and preference stocks. Obviously, this would greatly improve the Federal tax picture for the system (it is a heavy payer of excess profits taxes).

Assuming that new 1st mortgage 3s could be issued, in effect replacing the present 5s but with a larger amount, the interest requirements would be lower by about $550,000. Common stockholders would then have a 100% equity in net income instead of the proposed 36.45% interest. They would, however, have to pay out a substantial amount to exercise their rights—probably some $60,000,000, or about $5 a share. Also, they would be penalized with respect to Federal taxes, which would aggregate more on the three corporations when separated, than on the present combined system; though this loss might well be offset by refunding savings and reduced holding company expenses. As regards future earnings, there would be gains resulting from tax relief, sufficient perhaps to offset loss of heavy war business.

On the basis of 1944 net income of about $13,700,000, the common stock equity (100%) might be capitalized at say 12 times or $164,000,000. From this should be deducted the estimated amount to be paid in by common stockholders, leaving $104,000,000. This would be equivalent to approximately $8.50 per share estimated value. This, of course, is based on a number of assumptions and estimates as outlined above. (The official plan did not give a pro forma income account but estimated that in a "typical normal post-war year" the earnings available for the existing common stock—from the package of three stocks which he would receive—would be 46¢, compared with last year's earnings of 59¢; the figure would appear to be on the conservative side).

Argus Research Corporation, using a different method of statistical analysis recently arrived at "a conservative valuation of $7 per share." The stock is currently selling around 6¼, this year's range being 6⅝-4⅛, and the all-time adjusted range 112-1.

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Planning for the Future—Current Economic Problems and Finance and the Stock Exchange—By Ludwig Bendix of Bendix, Luitweiler & Co.—The International Press, 121 Varick Street, New York City.—$1 per copy.

Road to Serfdom—Reprints of the Readers' Digest condensation of the book by Friedrich A. Hayek—**B. S. Lichtenstein & Co.,** 99 Wall Street, New York 5, N. Y.

Successful Investment Planning—Discussion of opportunities for more income and profit in bonds—**Security Adjustment Corporation,** 16 Court Street, Brooklyn 2, New York.

War and Post-War Bond Trends—Discussed in the "Fortnightly Investment Letter," by **H. Hentz & Co.,** 60 Beaver Street, New York 4, N. Y.

What Hope for Railroad Security Holders?—Address of Arthur C. Knies before the Philadelphia Securities Association—**Vilas & Hickey,** 49 Wall Street, New York 5, N. Y.

Also available is a memorandum on the **Baltimore & Ohio Reorganization Plan.**

American Bantam Car—Circular on this situation—**Hoit, Rose & Troster,** 74 Trinity Place, New York 6, N. Y.

American President Lines, Ltd. — Timely statistical report — **Kaiser & Co.,** 20 Pine Street, New York 5, N. Y., and Russ Building, San Francisco 4, Calif.

Ampco Metals, Inc. — Current bulletin—**Sills, Minton & Co., Inc.,** 209 South La Salle Street, Chicago 4, Ill.

Also available is a report on **Maryland Casualty Co.**

Benguet Consolidated Mining Co. — Analysis — **F. Bleibtreu & Co., Inc.,** 79 Wall Street, New York 5, N. Y.

Boston & Maine RR. — Prior preferred—Descriptive circular—**Adams & Peck,** 63 Wall Street, New York 5, N. Y.

Boston Terminal 3½s of 1947—Analytical report describing reorganization status and proposed plan—**Greene & Co.,** 37 Wall Street, New York 5, N. Y.

Boston Wharf Co.—Descriptive circular—**du Pont, Homsey Co.,** Shawmut Bank Building, Boston 9, Mass.

E. G. Brooke Iron—Descriptive memorandum—**Buckley Brothers,** 1529 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Lukens Steel** and **Eastern Corp.**

Carolina Insurance Company—Analytical Study — **Mackubin, Legg & Co.,** 22 Light Street, Baltimore 3, Md.

Also available are memoranda on **Agricultural Insurance Co., Firemen's Fund Insurance Co., General Re-insurance Corp., Home Insurance Co., Insurance Co. of North America, National Fire Insurance Co., National Union Fire Insurance Co.,** and **New Brunswick Fire Insurance Co.**

Central Iron & Steel—Bulletin on recent developments—**Lerner & Co.,** 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Kingan & Co.** and **Riverside Cement.**

Chicago, Milwaukee, St. Paul & Pacific Railroad—Complete arbitrage proposition—**Sutro Bros.**

(Continued on page 2417)

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Tomorrow's Markets Walter Whyte Says—

Penetration of both averages into new highs puts market back into bull trend. Hold all positions until further advice.

By WALTER WHYTE

Last week I made a noise like a stock market expert. I sounded off about technical formations and wasted a lot of white paper to define something called divergence. I did all this to prove without a shadow of doubt, the market was going down. And after it was all over, what did they do? You don't have to guess. If you say them in the last few days, you know. Uh, huh, they went up. But not only did they just go up, they went and established new highs.

Actually the first sign of a turnabout occurred Thursday (May 24) shortly after the noon hour. Industrials opened that day at about 164. They moved up slightly in the next hour. At about 1 p.m. they reacted again. That was the last reaction. For the 164 price seemed solid and from it they went up. During the same day the rails firmed before the industrials. Thursday's lows were the openings. When the industrials slumped during the noon hour, it was

(Continued on page 2417)

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Capital and Time Required for Reconversion

WPB Sees Wide Variation Among Industries in Capital and Lapse of Time Needed for Reconversion. Automobile Industries Lead in New Construction Needed and in Time Required for Reconversion.

A study of the industries judged to be most seriously in need of preliminary reconversion help of a kind designed to prevent "bottlenecks" in return to peacetime production was released recently by the War Production Board.

All of the industries concerned, WPB said, have now had an opportunity to discuss their reconversion problems with the industry division of WPB under which they operate. Discussion has, in many cases, materially reduced "break-even" requirements. The automotive industry, for example, now finds that $29,000,000 will cover its immediate construction needs rather than the original estimate of $35,000,000. Similarly, the mechanical refrigerator industry has been able to reduce its construction requirement from approximately $6,000,000 to $1,929,000. Again, the non-jeweled clock and watch industry will need only $85,000 for construction at this time rather than the earlier figure of $227,500.

Seventy-two industries were surveyed, but not all 72 reported on all tables. This does not mean, WPB emphasized, that no other industries will be considered. The door has not been shut and the number of industries as well as the estimates of their needs are merely the best available at the moment, WPB officials said.

The studies reveal a wide variance in both needs and time required to get the wheels of peacetime production revolving. WPB cautioned that the time studies are particularly liable to change and that the actual time needed will differ not only from industry to industry, but, in some cases, from plant to plant in the same industry.

The following four tables published by the War Production Board indicate the prospective reconversion situation of various industries with respect to (1) the value of current production compared with the contemplated peacetime production; (2) new construction (in dollars) required for reconversion; (3) the value of equipment and tools needed for this purpose, and (4) the estimated time required for reconversion, in months:

Table I.

CURRENT PRODUCTION COMPARED WITH CONTEMPLATED PEACETIME PRODUCTION INDUSTRIES REPORTING

		Contemplated Peacetime Production	
Industry—	Current Production Per Quarter	Minimum or Breakeven Rate of Production Per Quarter	"All-Out or Capacity Rate of Production Per Quarter
Passenger Automobiles	$2,152,500,000	$620,500,000	$1,127,400,000
Powercycles	3,096,000	633,000	2,168,000
Appliances, Small Electric	8,000,000	6,000,000	9,000,000
Band Instruments	3,000,000	1,375,000	2,750,000
Bedding Industry	25,000,000	25,000,000	62,500,000
Bicycles	11,222,000	5,271,000	10,255,000
Caskets & Vaults, metal	6,000,000	3,750,000	7,500,000
Clocks & Watches, jeweled	19,886,000	9,183,000	19,750,000
Clocks & Watches, non-jewel.	16,555,000	9,717,000	12,008,000

(Continued on page 2408)

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A Low Price Bond Speculation

The current market on the first mortgage bonds of the City Center Building is 7½ bid, 9½ asked with the latest sale we know of having taken place close to the bid side of the market. At the current offering of 9½, a value of only $161,500 is placed for the first mortgage of $1,700,000.

Tax arrears on the property currently amount to $196,581.29 exclusive of penalties. In April, 1944, the Courts appointed a Sequestrator of rents, and the profits from operation of the property have been used to reduce the amount of back taxes.

The property is assessed at $978,200 for 1945. With the property 86.08% rented, the gross income of the property during 1944 was $125,030.24 and operating expenses $75,710.25, leaving a net income of $49,710.25 before taxes and insurance. During 1944, in addition to paying current taxes, $20,000 was paid on account of tax arrears.

Poor occupancy in the past resulted in the accumulation of tax arrears. Continuation of present occupancy, or betterment thereof, should aid future prospects for this property. Tenancy of the building is diversified with the exception of the three floors that are occupied by the Goverment; two of these floors are occupied by Social Security Departments and the other floor by the Navy Department.

The bonds are secured by a first mortgage on land owned in fee, situated at the corner of Broad and Cherry Streets, about three blocks from the Broad Street Station of the Pennsylvania Railroad in Philadelphia, Pa. The plot, irregular in shape, fronts 120 feet on Broad Street with a depth of 170 feet along Cherry Street, and comprises an area of approximately 20,000 square feet. The building was originally erected as an 8-story fraternal clubhouse. In 1923 three stories were added, making it an 11-story building. The structure was practically rebuilt at that time and now appears as modern and up-to-date as the average office building erected approximately 20 years ago.

The building is of steel, concrete and brick construction. The exterior is faced with a granite base, 2 ins. x 12 ins. brick walls above the decorative terra cotta horizontal bands. On the Broad Street front, the first story is faced with limestone. The main entrance of the building is from Broad Street with a service entrance on Cherry Street. The opposite space on the north side of Cherry Street is occupied by a filling station so that the building has excellent light on the front and there is a light court on the south side of the building. Unusually high floor heights are characteristic of the building, the first floor having a height of 20 feet 4 inches and the remaining floors ranging from 12 feet to 17 feet 6 inches.

The Broad Street entrance, through a set of bronze and plate glass doors, leads into a large vestibule from which a marble stairway extends to the basement along the south wall. From the vestibule through another set of bronze and plate glass doors, there is a large and spacious lobby which extends to a large room extending the full width of the building.

The lobby has a floor of travertine, the walls have a Tennessee marble wainscoting and imitation travertine to the ceiling. The ceiling is coffered and set with rosettes. A wide open winding stairway, finished with Tennessee marble, extends from the first floor lobby to a lobby on the second floor. The lobby is two floors in height. On the upper floors above the second floor the corridors have terazzo floors, marble wainscoting and plaster walls to the ceilings. Offices open on both sides into the corridors. Ample toilet facilities are provided on each floor. The toilets has terrazzo floors, marble wainscoting, and a good grade of facilities, installed at the time of remodeling. Electrical fixtures are fairly modern. Each office is equipped with, or has facilities available for wash basins with hot and cold water. The offices are large, have concrete floors, and are well arranged for suites with good light and ventilation. Doors ad trim are wood (mahogany stained) and in excellent condition. The building has recently been redecorated.

On the first floor facing Broad Street are two large stores with mezzanine floors and with bulk show windows with plate glass in copper frames. These show windows extend a short distance along Cherry Street. The rear of the stores is used for storage and, in addition, part of the basement area is utilized by the stores.

The heating system of the building is a low-pressure steam vacuum system supplied by two 150-h.p. Galloway boilers.

Rentable Space	Office Units Variable	
Basement	10,261 sq. ft.	
First floor (two stores)	15,010 " "	and 1,100 sq. ft. in Mezzanine
Second floor (offices)	11,435 " "	and 1,102 sq. ft. in Mezzanine
Third floor—11th floor (offices)	107,442 " "	
Total	144,148 " "	2,202 " "

After the payment of operating expenses, insurance and other necessary charges, there remained accumulated funds during the year 1943 to pay the major portion of the current taxes for that year and during the year 1944, to pay the entire 1944 taxes. As of Jan. 1, 1944, the delinquent taxes, exclusive of penalties and interest, were as follows:

(Continued on page 2418)

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Rehabilitation Week Set

The week of June 2 has been procaimed by President Truman as National Rehabilitation Week for the aid of civilian handicapped in becoming self-supporting, it was announced according to the Associated Press from Washington, May 8.

The President asked the country to aid in locating civilians who are entitled to Government benefits so that they may be fitted to take their place in the ranks of the American working.

Quoting from the President's proclamation:

"On June 2, our nation-wide program for the vocational rehabilitation of such disabled men and women will have been in operation a quarter of century. Less than two years ago, the Congress expanded this program by amending the Vocational Rehabilitation Act in 1920. The new law — the Barden-LaFollette Act, passed in 1943—makes it possible for the Federal and State governments, working as a team, to bring to the mentally disabled and the blind and all other groups of the disabled, the many services necessary to make them employable, including physical restoration, vocational training and placement in suitable employment."

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Gold Brothers to Be Formed June 1 in N. Y.

Irving Gold, formerly a partner of P. F. Fox & Co., will form Gold Brothers, with offices at 15 William St., New York City, as of June 1. Other partners will be Benjamin and Samuel Gold, who were also with P. F. Fox & Co. Telephone of the new firm will be HAnover 2-5383.

Hewitt Rubber Common Stock Offered at 23½

F. Eberstadt & Co. on May 25 publicly offered 79,773 shares of common stock of Hewitt Rubber Corp. at $23.50 a share. The 79,773 shares are part of 199,773 shares registered with the Securities and Exchange Commission, the remaining 120,000 shares being reserved for exchange for the outstanding 75,000 shares of Robins Conveyors, Inc.

According to the prospectus, of the 79,773 shares being offered to the public, the proceeds of 60,000 shares offered for the account of the Hewitt company will be used to purchase additional machinery for plant expansion and for additional working capital. The remaining 19,773 shares are being offered for the account of certain stockholders of Robins who will acquire such stock as a result of the exchange offer.

Although operated independently, the Hewitt and Robins companies have been allied for more than two decades.

Giving effect to the financing, Hewitt's entire capital, after reacquiring 69,474 shares of its own stock owned by the Robins Co., will consist of 273,714 shares of common stock outstanding.

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Railroad Securities

Norfolk Southern Railway Income 5s, 2014

Past earnings record alone entitles this bond, cheapest in price of all Income issues of companies having emerged from reorganization, to sell at much higher levels. However, numerous potentialities exist, which if realized, will alter the status of this issue considerably and raise it to a level equal to that currently enjoyed by—to name but a few—Erie, Gulf Mobile & Ohio, North Western and St. Paul Incomes.

Reorganization of Norfolk Southern was severe, fixed debt being cut, as of emergence from reorganization in 1942, to $7.25 million (from $18.29 million, old company) and fixed and contingent debt to $14.14 million. From 1942 to the end of 1944, $1.94 million of securities have been retired, and capitalization then consisted of the following:

Equip. trust certif..	$1,288,000	*$38,640
1st mortgage 4½s..	3,602,900	*162,090
Income mortgage 5s	6,271,300	*313,550

*Interest charges (at annual rate of).

Interest rate on equipment trust certificates is estimated at 3%. The above interest charges compare with $892,000 (old company) and $303,704 fixed (including $65,000 rent for leased road) and $344,615 contingent interest as of Dec. 31, 1942. Fixed charges in two years have been reduced $38,000, or 16%, and fixed and contingent interest (excluding lease charges), $69,000, or 12%.

Earnings of Norfolk Southern ranged from an overall coverage (on basis of estimated current charges) of over three times in the late 20s to an operating deficit in 1932, sole year in which this carrier was unable to earn something towards its charges. In the 30s, overall charges were covered approximately 0.8 times. During the war period such coverage has averaged 1.85 times (peak 2.53 times in 1942).

Financial position is satisfactory, net working capital totaling $1.45 million as of Dec. 31, 1944. This working capital position does not take into consideration Government bonds of $139,000, not carried as current asset, nor, more importantly, does it take into consideration possibilities of obtaining full title to monies claimed by the Treasury Department and carried as a current liability. These sums amount to $652,000 for Norfolk Southern proper and $518,000 for Norfolk Southern Bus Company, wholly-owned subsidiary.

On the basis of earnings record alone, taken in conjunction with moderately favorable post-war prospects, the Income bonds are undervalued. But an economic transformation in the company's territory looms as a result of (1) development of truck farming (rich muck soil in the Tidewater area); (2) industrial growth of paper and textiles, as well as favorable post-war lumber prospects; (3) development of coal in the Deep River area adjacent to Norfolk Southern's right of way; and, lastly, of considerable importance, (4) possibilities of oil, both Standard Oil of New Jersey and Shell having leased substantial acreages in counties bordering upon Albemarle Sound.

Admittedly, the above are only probabilities. Should any of these potentialities be realized, substantial post-war earning power can be developed, possibly exceeding the period of the late 20s. But excluding ultimate possibilities, Norfolk Southern owns two assets of great value, a lease through 2029 of property to Virginia Electric & Power from which NFS obtains $130,000 annual revenues (less $4,000 or $5,000 taxes paid by the latter) and ownership of the Norfolk Southern Bus Company which earned, after taxes, $239,000 in 1944, $149,000 in 1943 and distributed as dividends to the parent company $52,800 in 1944 and $26,400 in 1943.

Nor must there be excluded possibilities of ultimate merger with Norfolk & Western with which carrier connection is made at Durham, and at Norwood, the latter through the Winston Salem Southbound RR. jointly owned by Norfolk & Western and Atlantic Coast Line. Merger developments, if ever realized, are not of the immediate present, but of the more distant future.

The 1st Mortgage 4½s, available several points below call price of 103, are distinctly attractive, representing as they do, a combination first mortgage on a utility (three-quarters of interest income from a company whose credit is rated AA and whose bonds sell on a 2.75% basis), a bus company, and a rail property that can support this issue in its own right.

The Income 5s, still available around 60, appear attractive in their own right on an earnings basis, but gain in investment stature through giving due weight to the incidence of ownership of a bus line, an electric power lease and to the territorial growth possibilities. A favorable convertible option into 40 shares of common, currently selling at 13½, with 1943 and 1944 earnings at $9.59 and $5.97 and dividends for these years $2 and $1, respectively, lends speculatitve flavor to the bonds, especially as there are but 61,091 shares of the common outstanding. Recent declaration of a $1 dividend payable June 14, 1945 to holders of record June 1, 1945 further enhances speculative possibilities of these junior bonds.

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Allan M. Pope Pres. of Com. & Ind. Association

Allan M. Pope, President of The First Boston Corporation, was elected President of the Commerce and Industry Association of New York at a meeting of the Board of Directors on May 21. Elected Vice President was John K. Whitaker, President of Neuss Hesslein & Co. Philip D. Reed, Chairman of the Board of the General Electric Co., was elected a Director.

Allan M. Pope

Re-elected Vice Presidents were Herbert L. Carpenter, President of the Carpenter Container Corp., and Francis L. Whitmarsh, President of Francis H. Leggett & Co. Samuel D. Leidesdorf, head of S. D. Leidesdorf & Co., accountants, was re-elected Treasurer. Thomas Jefferson Miley is Secretary of the Association.

Col. Pope, who was born in Boston, is a West Pointer with a distinguished military and business career. At West Point he was a classmate of General Douglas MacArthur. He resigned from the Army in 1919 with the rank of Lieutenant-Colonel. After service in the Philippines he served in World War I, during which he was appointed to the General Staff in France, was an instructor at the General Staff College and a staff officer at General Headquarters, and upon his return to the United States was appointed secretary of the General Staff in Washington. He became connected with The First Boston Corp. in January 1920 and has since been associated with the organization. He became President, Director, and member of the Executive Committee in June, 1934. Among other civic activities he is President of the Welfare Council of New York, a member of the Executive Committee of New York University, a director of the New York War Fund, a director of the Pan American Society, and a member of the Advisory Council of the Better Business Bureau of New York City.

George Taylor Opens Own L. A. Office

LOS ANGELES, CAL.—George Hooper Taylor is engaging in an advisory and securities business from offices at 215 West Seventh St. Mr. Taylor was previously with Carter H. Corbrey & Co., Conrad, Bruce & Co., and Bayly Brothers.

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Bretton Woods Bill Improved by Amendments, Says Burgess

(Continued from first page)

of which will be to lay down broad policies for the guidance of the American representatives on the Fund and Bank and to act for the United States in those matters in which the articles of the Bank and Fund call for a decision by this Government; (2) the provision that the lending powers of the Bank should be definitely recognized as including the power to make stabilization loans.

The American Bankers Association in its report particularly stressed the need for safeguarding the operations of the Fund against possible freezing or exhaustion. The amendments by the House committee attempt to meet this difficulty first by specifying clearly the limits within which the Fund should operate, — that is, "current monetary stabilization operations to afford temporary assistance to members in connection with seasonal, cyclical, and emergency fluctuations in the balance of payments of any member for current transactions." The clarification of the power of the Bank to make stabilization loans also helps to relieve the Fund from the danger of being frozen.

Furthermore, the legislation provides a thoroughgoing review by the Council to the President and Congress every two years of the operations and policies of the Fund and the Bank with a view to determining whether these operations and policies are consistent with the policies and interests of the United States.

These proposals go some distance in safeguarding the Fund against possible abuse, though not as far as the proposals originally made by the American Bankers Association.

The proposal made by the Association for the merger of the two institutions to assure coordination in policy is met by the new legislation only to the extent that it provides that as far as the United States is concerned a single person will represent us as governor of both the Bank and the Fund, and the general coordination through the Council.

The hearings before the Banking and Currency Committee of the House were an excellent example of the operation of our democracy. The committee devoted about two months to the hearings. The attendance was extraordinarily good. The witnesses were received courteously and with open-minded attention. The careful study and thought which the members of the committee gave to this complex and technical subject were notable.

It may well be emphasized again that the American Bankers Association from the beginning has approved the Bretton Woods plan in principle, and its whole interest in the matter has been to aid the committee and the Congress in making the legislation as practical and effective as possible both in safeguarding the interests of the American people and in promoting international financial collaboration.

REQUEST FOR BIDS

THE PITTSBURGH & WEST VIRGINIA RAILWAY COMPANY (hereinafter called the "Company") hereby offers to sell, and requests bids for the purchase of 59,400 shares in a single block of the common stock of THE WHEELING AND LAKE ERIE RAILWAY COMPANY, owned by the Company. A circular letter containing the terms and conditions of the Company's offer, as well as a form of proposal for use of prospective bidders, and a form of acceptance (all of which, when executed and delivered, will constitute the Company's Contract No. 1945-1) are on file and may be inspected by any interested party at the office of the undersigned, No. 405 Wabash Building, Pittsburgh, Pennsylvania.

Bids for the purchase of said stock must be submitted to the undersigned at his aforesaid office on or before twelve o'clock noon on June 13, 1945, and bids received after that time will not be considered. Bids will be opened by the undersigned at his aforesaid office at 2:00 o'clock P.M. on June 13, 1945.

Bids must be prepared and submitted on forms of proposals prepared by the undersigned, and must comply with the terms and conditions stated in the Company's circular letter aforesaid; copies of said proposal forms and circular letter can be obtained by any interested person on request from the undersigned. Any interested person desiring other information regarding this matter may obtain the same by applying to the undersigned.

The Company reserves the right to reject any and all bids.

Dated May 28, 1945.

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Small Business Warned About Post-War Taxes

Says Reduction in Post-War Taxes May Be Slow but Gradual

NEWARK, N. J., May 28.—With high post-war federal budgets a drastic reduction in post-war federal taxes is improbable, declared Peter Guy Evans, of Janis, Bruell & Evans, Certified Public Accountants and Tax Consultants, at the Federal Tax Forum of the New Jersey and Essex County Bar Associations held at the Federal Tax Court here.

Peter Guy Evans

Mr. Evans, a member of the New York Bar and Lecturer on Taxation at Columbia and Rutgers Universities, stated that since 1940 the tax burdens have fallen more and more upon the small or moderate-sized business. The close corporation, partnership and business individual, said Mr. Evans, "will be in a poor cash position when war contracts are cancelled and taxes have to be paid. Since their investment in inventory, machinery and equipment is unusually high, they will lack working capital or reserves necessary for conversion into peace time production." He urged that the benefits of the carry-back provisions be hastened so that small business, the foundation of American business, will be able to carry on.

"To induce new capital," he asserted, "the carry-forward provisions should be extended to four years. The first few years in new business being the most difficult, are usually loss years, and therefore, the two year present carry-forward provision is wholly inadequate."

In detail, he compared the tax liability of a business operating as a corporation and as a partnership. Pointing out the advantages and disadvantages of each, he warned, "since there's no easy way to choose the right form of enterprise, each set of facts must be compared in detail."

"Despite promises to drastically reduce both the corporate excess profits tax and personal income tax after V-J Day, our taxes will most likely be decreased only about 10% each year. Although we anticipate five to seven years of good business and prosperity, we cannot close our eyes to the fact that with a National Debt of nearly $300 billions our post war budgets perforce will run around $22-25 billions. They will provide $7-8 billions for interest on Government Bonds, relief for veterans, aid to farmers, expenditures for military establishments, etc."

Consequently, the 85½% net excess profits tax will be so reduced that in four years it will be a flat 40% tax. With the elimination of the present 10% credit, the rate for 1946 would be about 73%, for 1947—62%, for 1948—51%, and for 1949—40%. Such a gradual but planned reduction will siphon off the high profits which will be earned by industry when it returns to peace time and civilian porduction. The backlog for civilian goods is the largest ever, and since it is a war result, it is urged to subject such high profits to excess profits tax but at declining rates. Let us be realistic about this! Since profits of going concerns will be the greatest during the earlier post war period years, it is proposed to collect high taxes at that time. Industry can best meet high taxes when its profits are high. As profits fall off because of disappearance of the backlog, the rate should decline accordingly.

With such an excess profits tax, the Government could raise the specific exemption to $25,000, or in the alternative, grant corporations a 10% increase in the excess profits tax credit.

Finally, he strongly recommended "immediate elimination of both double taxation on dividends, and of the capital stock and declared value excess-profits taxes. The present personal surtax exemptions should be retained, but the surtax rates must be reduced so that individuals will get an effective reduction of 10-11% per annum for the next three or four years.

"A gradual reduction in taxes will keep the American taxpayers so tax conscious that they will keep an eye on Governmental expenditures and put to account those officials who are not prudent in expenditures."

ADVERTISEMENT

NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number eighty-eight of a series.*
SCHENLEY DISTILLERS CORP., NEW YORK

Development

Our reader mail here at Schenley encourages us to continue with a sketch or two on the development of the distilled spirits industry in the early days of the Republic.

We find that from 1790 to 1800, the annual per capita consumption of distilled spirits was far greater than it is today. When 1810 rolled around, the popularity of rum began to wane, while the production and consumption of American whiskey increased. We learn too that during this period, the distilling industry was a great stimulus to other industries. The manufacture of barrels, bottles and earthen jugs took on a new importance.

Previously, whiskey was dispensed directly from the barrel. While barrels were not then considered of great importance in the aging of whiskey, they were necessary for its transportation and storage. Our Congress and a number of state Legislatures took steps to protect and develop these new industries. For instance, a direct governmental bounty was proposed to the native glass industry.

While the discussions were in progress, a prominent bottle manufacturer suffered a severe loss by fire and petitioned Congress for a loan to reconstruct his plant. He said it would enable him to resume the manufacture of an essential commodity. A congressional committee recommended a loan "not exceeding $8,000.00," stating that "an industry so important to the United States deserved help."

Something reminiscent in this. Eleven years ago, when that "ignoble experiment" which we termed "Prohibition" came to an end, a market for millions of bushels of surplus grain, for which there was no market—was provided by the rebirth of an ancient industry. And many new jobs were provided when twelve to fifteen million workers were jobless. Then, when war came, the entire distilling industry was on hand to convert its distilling facilities, almost overnight, to the manufacture of essential alcohol for war purposes.

Yes, the distilling industry in America has an interesting history. Today, it is regulated—by both Federal and State laws. And too, it has its own self-imposed regulations, nonetheless important, and effective. The modern distiller recognizes the social aspects of his business. He requests of the *non-user* that he be tolerant of the rights of others, and of the *user* that he be just that—a *user*—not an ab*user*.

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Willard Livingstone Opens in San Francisco

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Willard H. Livingstone has opened offices at 203 Sansome Street to engage in a securities business. Mr. Livingstone was formerly president of Bankamerica Company.

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Bilateral "Sterling" Agreement Between Great Britain and Peru

As an illustration of the bilateral "Sterling Area" exchange agreements that have been made by the British with other countries, the "Chronicle" prints below the agreement entered into on Nov. 17, 1942 between the Bank of England and the Central Reserve Bank of Peru covering the methods of payments between Peru and the "sterling area." It will be noted that this agreement bases the exchange rate of Peruvian currency and the British Pound on the Bank of England's buying and selling rates for U. S. dollars, and prohibits the transfer of Peruvian sterling balances to "non-resident's account," i.e. "an account of any person resident outside the sterling area." It also provides that "sterling accruing to Peruvian Special Accounts may only be used for payment of commercial and financial services in sterling due from Peru to the sterling area." Though the agreement was for a period of one year, it could be continued indefinitely or until one party gave the other six months' notice of intention of termination.

Payments Agreement

1. The Bank of England and the Central Reserve Bank of Peru will take all steps open to them to secure that all trade and financial payments between Peru and the Sterling Area shall be settled in sterling. Payments in respect of debts expressed in soles due from persons resident in Peru to persons resident in the Sterling Area shall be converted into sterling on the basis laid down in Clause 3 and settled by debit of Sterling to a Peruvian Special Account.

2. In the case of debts due to Peru necessarily payable in soles, e.g. dock dues, shipping expenses, etc., from persons resident in the Sterling Area, soles may be purchased from the Central Reserve Bank of Peru by Sterling Area debtors against credit of sterling to a Peruvian Special Account. Payments between Peru and the Sterling Area expressed in other currencies shall be converted into and settled in sterling on the basis laid down in Clause 3.

3. The Central Reserve Bank of Peru shall quote rates for sterling based on the official middle price for gold in London, viz., 168 shillings and 6 pence per fine ounce (the Bank of England's buying and selling rates for U. S. Dollars on this basis being 4.03½ and 4.02½ respectively), and the current quotation for dollars in Lima.

4. (a) Payments to Peru, as referred to in Clause 1, from persons resident in the Sterling Area shall be made to the Special Account of the Central Reserve Bank of Peru at the Bank of England or to Special Accounts of the Central Reserve Bank of Peru with their correspondents in the United Kingdom registered at the Bank of England or to Special Accounts of other banks operating in Peru which may (subject to prior agreement of the Central Reserve Bank of Peru and of the Bank of England) be opened with their United Kingdom correspondents after registration at the Bank of England. Sums standing to the credit of a Peruvian Special Account may be freely transferred from one Peruvian Special Account to another but may not be transferred to a non-resident account. A non-resident account means the account of any person resident outside the Sterling Area.

(b) It is understood that all payments for purchases made by the Sterling Area will be in sterling. Export taxes or other charges in connection wtih these purchases will be paid in the currency specified by the Peruvian Government regulations and if this is not available in the Lima market against special account sterling at official rates, namely 4.025 to 4.035 United States dollars per pound then the Peruvian Government will accept payment in special account sterling at the above mentioned official rates.

(c) Export taxes due from Lobitos will continue to be paid in the currency specified by Peruvian regulations. If this currency is U. S. Dollars and there are sellers of these dollars in Lima for Special Account Sterling, dollars will be bought and paid to the appropriate Peruvian department, but if U. S. Dollars are not available against Special Account Sterling, then the Peruvian Government will accept this sterling. It is implicit in this arrangement that the Lobitos Oil Co. shall only be obliged to sell Special Account Sterling for U. S. Dollars at the official rates, namely, 4.025 to 4.035 dollars per £.

(d) As regards payment for oil sold by Lobitos Oilfields, Peruvian Special Accounts will be credited with the proceeds of the sterling drafts of the Cia. Petrolera Lobitos drawn in Peru on the Lobitos Oilfields Ltd. in respect of export tax.

5. Sterling accruing to Peruvian Special Accounts may only be used for payment of commercial and financial services in Sterling due from Peru to the Sterling Area such as

(a) Payments through the usual service bankers in respect of Public Debt;

(b) Other sterling requirements of the Peruvian Government;

(c) Interest and dividends and other remittances or other Sterling Area investments in Peru.

(d) Shipping freights and insurance;

(e) Sterling Area exports to Peru;

(f) All other payments by Peru to the Sterling Area.

6. The Central Reserve Bank of Peru shall take all possible steps in cooperation with the United Kingdom Exchange Control to ensure that all payments and remittances to the Sterling Area will be made from a Peruvian Special Account and not otherwise.

If the balance on the Peruvian Special Accounts should at any time be insufficent to meet Peruvian Sterling requirements, the Central Reserve Bank of Peru will purchase sterling from the Bank of England against U. S. Dollars at the current official buying rate of U. S. Dollars in London as laid down in Clause 3, and/or will authorize persons or firms in Peru having sterling liabilities to the Sterling Area to utilize their balance in U. S. Dollars to meet such obligations to the Sterling Area. It is understood that sterling from a Peruvian Special Account will always be accepted in payment of exports from the Sterling Area.

7. The balances of the Peruvian Special Accounts shall carry a guarantee based upon the official middle price of gold in London (at present 168 shillings and 6 pence per fine ounce) and in the event of any change of such price, balances standing to the credit of these Peruvian Special Accounts shall be established as at the close of business on the day preceding such change. The total of Peruvian Special Account balances so established shall be adjusted to accord with the new official London price of gold by credit or debit of the Special Account of the Central Reserve Bank of Peru at the Bank of England.

8. Notwithstanding the foregoing provisions of this agreement the Bank of England may authorize the opening or maintenance of accounts with Banks in the United Kingdom, to be denominated "Peruvian Sterling Area Accounts," in the names of individuals resident in Peru but having close connections with any territory in the Sterling Area. These accounts will be available for use in accordance with the regulations for the time being in force in the United Kingdom regarding Sterling Area Accounts. Payments from Peru for Sterling Area Accounts may not be made to any other account (other than a Peruvian Special Account) of a person resident outside the Sterling Area, and transfers between one Peruvian Sterling Area Account and another will not be permitted. Transfers from a Peruvian Special Account will be freely permitted.

9. Upon expiry of this agreement:

(a) The provisions of Clause 7 shall continue to apply to balances held on Peruvian Special Accounts.

(b) Balances remaining in Peruvian Special Accounts shall be utilized for the purposes laid down in Clause 5.

10. In this Agreement the expression "The Sterling Area" shall have the meaning assigned to it by the regulations in force from time to time in the United Kingdom in regard to exchange control, that is to say, at present the United Kingdom of Great Britain and Northern Ireland (including for this purpose the Isle of Man) together with the following territories, excluding Canada and Newfoundland:

(a) any Dominion,

(b) any other part of His Majesty's dominions outside the British Islands,

(c) any territory in respect of which mandate on behalf of the League of Nations has been accepted by His Majesty and is being exercised by His Majesty's Government in the United Kingdom or in any Dominion,

(d) any British Protectorate or Protected States,

(e) Egypt and the Anglo-Egyptian Sudan,

(f) The Belgian Congo and Ruanda-Urundi, Syria and Lebanon,

(g) The following territories under the control of the Council of Defence of the French Empire; French Equatorial Africa, Cameroons under French Mandate, French Oceania, French Establishments in Indiana, and

(h) Iceland and the Faroe Islands; provided that, if His Majesty's Government in the United Kingdom shall at any time amend the definition of the Sterling Area in force for

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Consolidated Electric & Gas Co.	Coll.	6	due 1962
Iowa Southern Utilities Co.	Deb.	4½	due 1966
Jacksonville Gas Corporation	1st	4	due 1969
New York Water Service Corp.	1st	5	due 1951
North Penn Gas Company	1st	5½	due 1957
Seattle Gas Company	1st & Ref.	5	due 1954
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OUR REPORTERS' REPORT

The already substantial backlog of potential corporate issues slated to reach the market in the months following completion of the current Seventh War Loan was boosted $175,000,000 in one fell swoop when the American Telephone & Telegraph Co., revealed plans for registration of that amount of new 40-year 2¾% debentures.

This projected refinancing opens up a whole new vista in the utility field since the big communications company, at the end of 1944, had a total funded debt outstanding in the amount of $1,345,900,000, much of it carrying a 3¼% coupon, which makes its cost appear out of line in the present money market.

A. T. & T. has not been especially active in the money market since the latter part of the 30's when it refinanced a good portion of its debt on a 3¼% basis.

Certainly on an issue such as projected here the Securities and Exchange Commission cannot look for any host of bids. It now appears as though the investment banking fraternity will be able to muster, at most, two banking syndicates with the resources to embark on an undertaking of this size.

There is always the possibility of an "Agency bid" being entered for a group of major insurance companies, but in this case it looks as though bankers who would be likely to represent such buyers, would be in one or the other of the two prospective syndicates.

Turn to Big Job

The road-block against further corporate offerings, during the balance of the current War Loan Drive, was not firmly in place as the month ended today. From here through to the finish the underwriters and their distributing groups go all-out for the Treasury.

And it's just as well that way, since the reception accorded the last one or two new issues was not such as would be conducive to any substantial undertakings. In fact such offerings ran into investor resistance, large as well as small.

The situation is best summed up by John Hancock Mutual Life Insurance Company's call for bids on a total of about $52,400,000 of assorted tax-exempt bonds from its portfolio and Penn Mutual Life's call for bids on some $5,000,000 with both companies planning to put the proceeds into War Bonds.

They Shall Not Pass

The action of the Securities and Exchange Commission in putting up the "stop" sign against the consummation by North American Company of the sale of its 700,000 share block of Pacific Gas & Electric Corp., common stock, did not sit too well in underwriting quarters.

Some people, who would not be quoted, seemed to feel that considerations other than the purely basic financial elements weighed heavily in the commission's action.

The contention in such circles was that the scope of the deal, it involved some $26,000,000, was such that the job could best be handled by a single group, particularly one headed by a firm located within the company's territory. The commission, however, took its stand on the contention that the element of competition was not present.

Texas Power & Light 2¾s

The last sizeable corporate issue to reach market before bankers signed off to join up with Treasury forces, Texas Power & Light Co.'s $26,600,000 of 2¾s have been moving out, but slowly, it was indicated today.

Those in a position to gauge the market, calculate that the issue is about little more than 50% sold.

This issue was priced unusually close, being offered at 100¾ against the figure of 100.1529 at which it was purchased from the company.

Two July Possibilities

Two substantial corporate undertakings appeared likely to be in condition for marketing early in July, one an issue of utility bonds, and the other an industrial stock offering.

Portland General Electric Co.'s application to sell $34,000,000 of new bonds and $5,500,000 of notes will be subjected to Securities and Exchange Commission hearing on June 12.

Meanwhile Colgate-Palmolive-Peet Co. has set in motion plans to replace its outstanding $4.25 dividend preferred stock through a new issue carrying a lower dividend.

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the purpose of the said regulations, such amendment shall apply to the definition of the Sterling Area for the purposes of this Agreement as from the date of the notification to that effect from the Bank of England to the Central Reserve Bank of Peru.

11. This Agreement shall take effect immediately and shall remain in force for twelve months from the date of signature. If neither the Central Reserve Bank of Peru nor the Bank of England shall have given notice to the other six months before the above mentioned date of their intention to terminate the Agreement, it shall remain in force until the expiration of six months after the date on which either the Central Reserve Bank of Peru or the Bank of England shall have given the other notice of termination.

Lima, 17 de Noviembre de 1942
Banco Central de Reserve de Peru
(fdo) (fdo)
Clemente de Althaus, Gerente General
J. Fernando Gazzani, Presidente
Bank of England
(fdo)
M. Norman, Governor

Armstrong Adds Hurtgen

(Special to The Financial Chronicle)

CHICAGO, ILL.—Anthony B. Hurtgen has been added to the staff of *F. H. Armstrong & Co., Inc.*, 120 South La Salle Street.

Sec. Commissioners Meet With Inv. Cos. Association in Chicago

CHICAGO, ILL.—A representative group of state Securities Commissioners on May 24th completed a two-day meeting with a committee representing the National Association of Investment Companies. Principal purpose of the meeting was to discuss investor problems arising from the present war and steps which might be taken to help educate new investors and protect them from swindlers. It was pointed out that World War I created millions of new investors who, having bought Liberty Bonds during the war, turned to corporate securities in subsequent years. War Bonds have been even more widely sold to the public during the present war. Especially in the light of present bank deposits exceeding $140 billions, it was considered probable that as many or more new investors would take an active interest in general securities as 25 years ago. Both defensive and constructive measures for the protection and education of this group were discussed.

Among the Securities Commissioners attending the two-day meeting were Clarence H. Adams, Connecticut, President of the National Association of Securities Commissioners; John F. Hueni, Michigan, Chairman of Investment Company Committee of the NASC; Harold Johnson, Nebraska, Chairman, Education and Publicity Committee of the NASC. Commissioners from Indiana, Illinois, Ohio, Minnesota, and Wisconsin were also present.

The National Association of Investment Companies was represented by Paul Bartholet, Executive Director; Colonel William Tudor Gardiner, Chairman, Incorporated Investors; Hugh W. Long, President, Manhattan Bond Fund, Inc.; and S. L. Sholley, President, Keystone Custodian Funds, Inc.

Swiech With O'Rourke

CHICAGO, ILL.—Stanley I. Swiech has become associated with J. P. O'Rourke & Co., Board of Trade Building. Mr. Swiech has recently been with the State of Illinois Department of Revenue. In the past he was with Rogers & Tracy, Inc.

Claude Baker Pres. of Union League Club

Claude F. Baker

CHICAGO, ILL. — Claude F. Baker, who is well known in middle west telephone and public utility circles, was installed May 22 as 59th president of the Union League Club of Chicago. A member of the Club since 1922, he has served in many official positions including the past two years as treasurer and finance committee chairman.

Mr. Baker is president of Baker, Walsh & Company, investment bankers, Chicago, and of Investment Bond and Share Corporation. His public utility interests include: President and director, Kansas State Telephone Company; director, Jacksonville Gas Comany, Kansas City Public Service Company and the Central Indiana Telephone Corporation; Vice-President and director, Investors' Telephone Company, and Vice-President of the following: Central Missouri Telephone Company, Central Carolina Telephone Company, Arkansas Associated Telephone Company, Iowa State Telephone Company, and the Sussex County Telephone Company; he is also director of Chicago Stadium Corporation.

F. D. Hogan Associated With Mercier, McDowell

(Special to The Financial Chronicle)

DETROIT, MICH.—Francis D. Hogan has become associated with Mercier, McDowell & Dolphyn, Buhl Building, members of the Detroit Stock Exchange. Mr. Hogan has recently been with the Circuit Court Commission of Wayne County, Mich. In the past he was sales manager for R. W. Reilly & Co.

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SAN FRANCISCO, CALIF.—Raimund B. Wurlitzer has retired from partnership in Davis, Skaggs & Co., 211 Montgomery Street, and a new partnership consisting of Chester W. Skaggs and George W. Davis has been formed.

Back The

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Municipal News & Notes

The vulnerability of the municipal price structure to any substantial volume of bonds reaching the market has been clearly indicated in the decline in prices that has accompanied the sizeable amount of portfolio offerings over the past several weeks. As a result, prices are now down on an average of 10 to 20 basis points, and more in some cases, from the levels which prevailed earlier in the year.

The largest declines appear to have been registered in bonds of the more prominent debtors, including New York City, Detroit, Philadelphia, and the States of Louisiana, Arkansas and Mississippi. This is attributed in part at least to the fact that bonds of such units have re-entered the market in large volume via portfolio sales. Under the circumstances, some softening in prices was to be expected if only because of the psychological reaction prompted by such a development.

This is to the contrary, the municipal market, like other markets, has its bellwethers, or leaders, and any change in their status is inevitably transmitted to the list as a whole. Regardless of whether or not the continuing portfolio operations by private institutions and public trust funds has any real significance, it would be illogical not to expect a reaction of some degree in the market as a whole.

The State of Mississippi, incidentally, affords a partial illustration of the current standing of the market as contrasted with that which prevailed earlier in the year. The State just recently, on May 25 to be exact, awarded an issue of $1,812,000 highway refunding bonds, maturing 1961-63 and optional in 1950, on a net interest cost basis of 1.59%. By way of contrast, the record discloses that in disposing of a $2,000,000 issue for the same purpose and with similar maturity characteristics on March 13, the State achieved a net cost of 1.358%.

In marketing the latest issue, the State found it necessary to ask for bids on successive days, the 24th and 25th, having turned down the offers received on the earlier date. Although five groups competed in the original instance, only two accounts were represented at the second offering, with the successful syndicate having been the highest bidder on both occasions.

By way of completing the record, it may be noted that a substantial portion of the $2,000,000 issue sold by the State last March just recently were re-offered at prices reflecting a considerable markdown from the levels established by the original purchasers. The new price scale was from 101.50 to 99.50 as against the initial offering terms of 102.50 to 100.25.

It might be well to say in passing that it is not our intent or purpose to single out Mississippi as an "abject lesson", nor to imply that the market experience for its bonds has been entirely unrelated to the course of municipal prices as a whole.

The fact is that the experience of its bonds has been du**plicated in more or less the same degree by bonds of other States and municipalities during the past several weeks. It so happens that the State, having appeared in the market before and subsequent to the recent downward price trend, serves to demonstrate the impact of the decline from the levels that obtained several months ago.**

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That much of the reaction has been due to the exceptionally large volume of portfolio sales in recent weeks is unquestionably true. This, however, points up the question of how the market would react should the expected flood of new municipal issues materialize in the near future. The extent of the financing in prospect, to provide for war-deferred improvements and new projects, is generally figured in the billions. Even conceding that the disposal of such offerings will be spread over a period of several years, the volume that already awaits the go-ahead signal is considerable.

Furthermore, signs multiply that the initial flow is not too far distant. With reconversion of industry to a peacetime basis seemingly quickening each day, there is a possibility that public bodies will find it expedient to implement their post-war plans.

The case of Oakland, Calif., gives some evidence of such a possibility, the city having announced its intention to consider bids June 21 on a total of $15,754,000 bonds for various new capital purposes. This financing was approved by the electorate on May 8 and the city's decision to effect the sale at the earliest possible date was undoubtedly influenced by the desire to take advantage of the prevailing attractive interest rates.

Minneapolis Not Contemplating Any Bond Financing

The City of Minneapolis does not contemplate offering any bonds in the near future, according to advices from City Comptroller O. J. Turner, who states that the city has $910,000 presently invested in U. S. Treasury bonds. This amount, Mr. Turner writes, has been set aside over a period of three years to assist in financing the city's portion of the cost of the proposed Upper River Harbor project. At the present time, the Comptroller says, no sale dates have been set or amounts determined of any possible future bond sales.

Outlook for Foreign Trade in A Stable Post-War World

(Continued from page 2390)

close of one era and the beginning of another. For it so happens that we are on the threshold of important decisions. Whatever the final import of those decisions, I believe that the conference at San Francisco reflects a universal acknowledgment that the relationship of each part of the world to all others requires not only a code of law and order but a permanent basis of mutual understanding. We have long been conscious of a growing degree of economic interdependence among the nations of the world but it is somewhat ironic that it required two destructive world wars and a world depression to impress upon us the need for concerted action. While nations were moving closer and closer together they were totally unprepared to live together in peace. The failure to understand the nature of the world we live in led us to the brink of disaster and we cannot afford to repeat.

The War and Economic Cooperative Action

The war itself has produced far-reaching changes which have emphasized the necessity for cooperative action and organization. Compelled by the necessity to utilize our human and natural resources to the maximum we have found new means for applying energy drawn from nature's bounties for the production of goods and services in ever-increasing volume. This fact alone is of tremendous significance as we contemplate utilizing these same sources of power in time of peace. There is virtually no limit to what we can produce, but if the machinery of production is to be kept operating at full capacity we must find means whereby each person able and willing to work can contribute his share and participate in the final result. It is only by making possible such contribution that all of us can enjoy the things which we produce. If we achieve this desirable end it will necessarily mean a higher standard of living for all of us. Such an accomplishment cannot be achieved, however, by one region within the country at the expense of another. Nor can it be achieved by one country or world area at the expense of another.

If we assume, then, that a maximum level of employment and a system of international collaboration are both essential we can appropriately turn our attention to the importance of foreign trade as a means of achieving effective results. For it is in the field of foreign trade where the practice of making a living and instruments of international understanding can be most effectively combined into a practical formula. The free flow of goods and services in large volume is the only means whereby all nations can hope to participate in common opportunities for maintaining high standards of living. Countries dependent, for example, upon shipping as an important source of national income will find a necessary means of livelihood cut off if world trade falls to the low levels experienced, for example, during the early '30s. Moreover, it is only under conditions of unhindered world trade that many countries can find real opportunities for acquiring the foreign buying power so essential to the purchase of essential consumer products in foreign markets.

The primary requirement in such a program is the development of a state of economic health throughout the world. Export trade cannot be looked upon as an end in itself; it is part of a process which, if it is to be maintained, requires a good economic climate and sound economic conditions at each end of the transaction. It is only under such conditions that business can long be maintained on a basis of mutual confidence and benefit.

The United States constitutes the most important free marketing area in the world. Our unhappy experiences under the Articles of Federation prompted us to guard against any system of tariffs or trade restrictions between the States under the Federal Constitution. We have thus been able to develop our resources and to exchange goods and services freely throughout the whole nation. That even national frontiers need not be viewed as difficult barriers to the exchange of goods and services in the larger world community is evidenced by the high volume of trade between the United States and Canada. Our heavy expenditures for travel in Canada and the large net purchases by Canadians of our merchandise represent reciprocal processes whereby the individual demands of thousands of people on each side of the border are met to the benefit of all.

The breakdown of the international financial machinery in 1931 and the subsequent developments were the by-products of an unstable world order that we are finally, let us hope, in the process of reconstructing on a firm foundation. While we may differ on details we are generally agreed on the necessity for establishing by international cooperation a program for stabilizing world currencies. We view with sympathetic understanding the need for other steps such as the establishment of an international bank which would by direct action or by its guarantee of private loans assure the availability of long-term funds for the development of resources wherever such development can be profitably undertaken. The proposed legislation providing for the renewal of the Trade Agreements Act of 1934 is designed to make it possible for us to exchange further concessions with other countries to the benefit of all.

If we should view the period of a century and a quarter since the historic crossing of "The Savannah" as a cycle in our economic history we may perhaps be justified in hoping for a new Era of Good Feeling such as our political historians have long associated with the close of the second decade of the 19th century.

An examination of the statistics of our foreign trade shows that our prosperity index and the volume of our imports follow parallel lines. Since foreign buying power in the United States depends largely upon the dollar payments made by us when we import, it follows that our ability to develop and maintain a prosperous economy determines in large part our success in developing foreign markets for our products on a sound and sustaining basis. Because of the importance of our export and import trade in the total stream of world commerce it is evident that our post-war level of domestic business activity will materially influence the degree to which the outside world will be free of the pressure which might otherwise perpetuate a system of tariffs, quotas, and other restrictions.

Assuming a sound international investment policy and the effective reconversion to full civilian production and employment after the war we believe, in the Department of Commerce, that this country may look forward to total merchandise exports of $10 billion or more a year. On the basis of an estimated national income of $150 billion, which a program of full employment should make possible, such a goal reflects a conservative ratio of export to total output. Also with our expanded industrial capacity as a result of the war, major American industries will necessarily expect wider world markets if they are to operate at maximum capacity and under full employment. They will look for larger markets abroad for capital goods produced in this country. Any sound program of industrialization in undeveloped areas will mean not only a wider demand for equipment produced in this country but will also contribute toward the attainment of higher standards of living and thus broader world markets generally. The history of the United States during the nineteenth century as a world borrower bears ample testimony to this kind of mutually profitable development.

It is only under conditions of a rising level in world trade that we can hope to achieve these objectives. If we should assume that larger and larger markets for American goods were to be developed under conditions of a stationary level of international commerce, we would have to view international trade as necessarily a form of economic warfare and plan our trade promotion problem accordingly. Unfortunately in the past national trade policies were too frequently formulated on the assumption that the volume of total world trade was more or less fixed and that if we allowed the other fellow to get into a market we would be deprived of such a market in direct proportion to his success.

Foreign and Domestic Trade Go Together

Foreign trade and domestic trade cannot be cataloged in separate compartments. They go together, since imports in the long run provide the means of paying for exports. To us in the United States many of the former are essential and are not produced at home. Foreign markets absorb a relatively large proportion of the output of certain industries as well as of certain regions even though total exports may be a comparatively small part of our total national output. You are all familiar with the truth of this statement as it relates, for example, to such export commodities as cotton and tobacco. As has been demonstrated during periods of national adversity a decline in exports and imports deprives our consumers and our industries of many products and raw materials which we can either not replace at all or replace only with difficulty. At the same time American industries are deprived of profitable outlets for their products.

Under conditions of full employment in the United States our ability to save is enormous. Our industries have achieved a much more advanced stage of development than have those of other countries. In many countries capital is relatively scarce and opportunities for profitable investment will be open to us throughout the world. Such opportunities if directed along sound lines are bound to result in higher levels of employment and income, higher standards of living, and stable social and economic conditions. The net result is a sure contribution to world peace.

The resources of all parts of our country are essential to the maintenance of a sound national economy. The industrial capacity of certain sections has risen sharply as a result of wartime developments. In these newer industrial areas labor and resources are available for continued development after the war. This is true, for example, in the South where the possibilities for expanded world trade are enhanced by the existence of excellent ports open throughout the year — ports located at what we might call our gateways to Latin American and other markets. A sound development of these markets will contribute to higher standards of living, both at home and abroad.

In its recent report, "The Postwar Foreign Economic Policy of the United States," the House Special Committee on Postwar Economic Policy and Planning emphasized the fact that our foreign trade, even though small in relation to national income, is bound to have a very important impact upon economy of foreign nations. Many countries depend heavily upon international trade as a national source of income. Since the United States is in position to contribute most to United States and world prosperity, the full utilization of our enormous capacity to produce, to consume, and to save must result during the post-war years in an expansion of exports, an expansion of imports, and an expansion in foreign investments. It is important, therefore, that national policies relating to foreign trade and foreign investments be properly synchronized in order that we may avoid the unfortunate consequences of the 1920's. The scarcity of capital in undeveloped areas and in countries devastated by the war provides broad opportunities for investment. Under programs of economically sound industrial expansion both lender and borrower will benefit. Such form of mutual participation in an expanding world economy is reflected in the history of the United States during the century following the event which we are now celebrating.

Since trade and finance are interdependent it is well that we examine the case for future foreign lending. We are all familiar with our experience during the 1920's. It was not an entirely happy experience, but it is important that we do not confuse cause with effect. Our mistakes lay less in the fact that we engaged in foreign lending than in the fact that we failed to understand the nature of our position as a world creditor. We continued to be ruled by a debtor psychology and thus pursued policies which were inconsistent with each other.

American business has long had a tremendous stake abroad in the form of industrial and other investments. These investments range all the way from mineral developments in Latin America, plantations in Central America and Middle East, to branch plants in Canada, Great Britain, and the Continent of Europe. These investments taken as a whole have proved profitable to American business even during the depression of the 30's, and have provided a source of foreign buying power to the countries in which they have been made. Foreign sources of raw materials become of increasing importance to us as our domestic reserves are being more and more heavily drawn upon by our highly developed industrial machine.

Although the United States has become the temporary guardian of billions of the outside world's capital funds this country is destined to continue its strong creditor role after the war. It is not possible to draw up a blueprint showing in statistical terms the exact position the United States will occupy in the world economy after the war. We do have, however, a measure of the economic factors which are available as guides if we would turn to universal advantage the opportunities implicit in the country's economic power. The United States has achieved a degree of maturity in technological experience which has stood the world in good stead during the present war. This experience can be utilized after the war to the advantage of both ourselves and the rest of the world. Indeed, our responsibility as a nation wielding an unprecedented balance of economic power permits no other course.

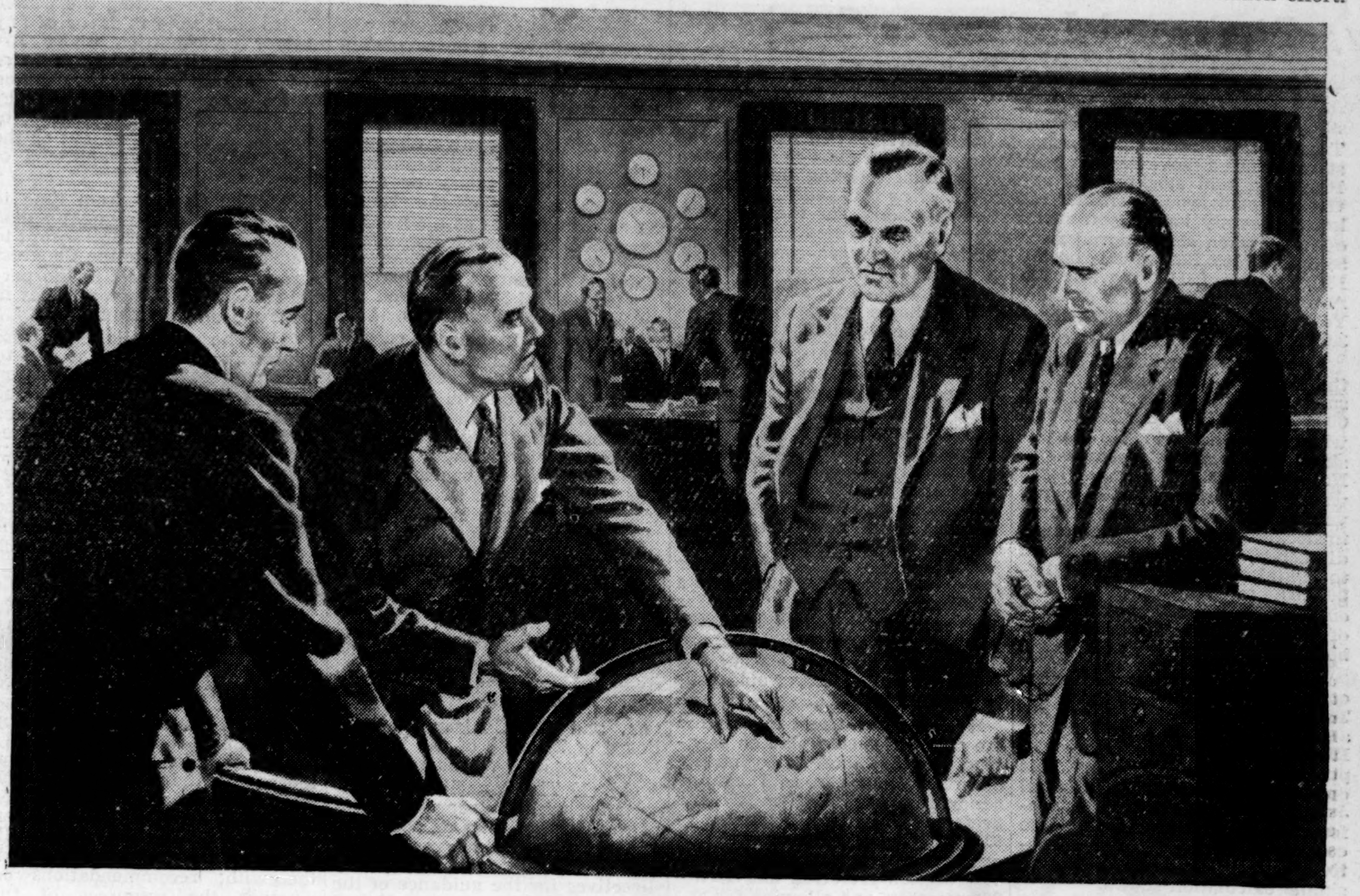
During the period between the two wars the international economic and financial position of this country reflected many signs of instability. The causes lay partly within the United States but yet not entirely so. The modern industrial world is exceedingly dynamic; impulses generated by developments in a given world area do not automatically spend themselves when they reach a national frontier. The periodic disturbances in the United States balance of payments during the two decades following the last war had world-wide repercussions. Yet in a world which is rapidly becoming a more and more highly integrated economic unit it is safe to suggest that such disturbances are inevitable so long as machinery for international collaboration and for the effective handling of international economic problems does not exist.

The wide fluctations between boom and slump and the erratic behavior of capital movements during the twenties and thirties reflected not only conditions of instability in the United States but they impressed upon us the important fact that, in view of the international repercussions, steps must be taken in the future to guarantee a closer coordination of the business cycle policies of all the principal industrial nations.

The possibility of such coordination rests upon a frank recognition of the principle that the modern interdependent world must do business with itself if peace and security are to be more than a distant hope.

The recognition of this fact is more important than the details of means and methods for achieving results. We cannot safely refuse to recognize the need for international exchange stability just because every detailed operation cannot be demonstrated in advance by a miniature model or because of a vague fear that a particular nation has ulterior motives whenever its spokesmen comment favorably upon some particular anticipated benefits.

The balance of economic power held by the United States after the war carries with it definite responsibilities in making it possible for goods and services to move and in making an adequate contribution to the total volume of world trade. On the other hand, it must be recognized that certain rights attach to such responsibilities. International cooperation, to be effective, requires that all parties be as willing to recognize each other's rights as to receive benefits from the common effort.



YOUR FOREIGN TRADE TOMORROW

Calls for Planning Today

The "shape of things to come" in the western world now begins to take form. In one field, that of foreign trade, it is advisable to look at the future situation in the light of what is already known.

For example, pre-war data regarding business firms in European countries must be revised and brought up to date; new credit information must be gathered and other vital facts correlated, taking into account drastically changed conditions.

In anticipation of such a need, the Chase National Bank has maintained its many contacts in Allied and other friendly nations. As always, the intimate knowledge of actual trade conditions as they *exist* and *change* constitutes an inestimable aid to those companies and individuals interested in export and import.

Discussions now between forward-looking business executives and officers of the Chase should expedite development of future foreign trade. Conferences are available to those engaged in or planning to enter this important field of commerce.

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Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

A few days ago it was reported in the press that Manufacturers Trust Co. was formulating plans for the retirement of its preferred stock. Such a move has not been unexpected, for Harvey D. Gibson, President, told stockholders at their annual meeting on Jan. 10, that the bank would consider retirement plans this year. The market apparently looks upon such action favorably, for the bid price of its common stock moved from 58 on the May 12th to 64½ on the 18th, a rise of 11.2%, while the American Banker Index of New York City bank stocks appreciated 3.6%.

It seems worthwhile to review the situation. The stock was issued in July, 1936, to retire $25,000,000 of 3½% Capital Notes which were sold to the Reconstruction Finance Corporation in November, 1933. The total issue was 500,000 shares, with a par value of $20, which were offered to stockholders at $50 plus accrued dividends, thus $10,000,000 went to capital and approximately $15,000,000 to surplus. Quarterly cumulatitve dividends at the rate of $2 per share annually have been paid. There are no arrears.

The issue is convertible into common stock, and redeemable. The conversion rate has been on a sliding scale, and since July 15, 1943 has been at the rate of 10 preferred for 6 common. This conversion rate is in effect until July 1, 1946; thereafter the preferred is not convertible. The convertible feature is not attractive, however, as the following simple calculation shows:

10 shares pfd. at 51¾=$517.50; $20 divs.
6 shares com. at 66 =$396.00; $12 divs.

The redeemable price has also been on a sliding scale, starting with $53 to Jan. 15, 1939, down to the present price of $50 and accrued dividends. The issue is redeemable in whole or in part on 30 days' notice. A preferred stock sinking fund was set up for the purpose of retiring a portion of the issue each year, consequently, by March 31, 1945 there had been retired 114,385 shares, leaving 385,615 shares unredeemed on the balance sheet of that date, with a total par value of $7,712,300.

It is not yet known what sort of a proposition the bank will make to its stockholders. To retire the outstanding preferred at $50 and accrued dividends will require approximately $20,000,000. If rights are offered present common stockholders to buy new common in the ratio of one new for each four held, at $50 per share, it would just about do it. The balance sheet for March 31, 1945 shows 1,649,922 common shares; a one for four ratio would require 412,480 new shares, which at $50 per share, would produce $20,640,000; at $52 per share, they would produce $21,448,960.

It is now of interest to examine the effect of such a plan on earnings. In 1944 total net operating earnings, before special contingency reserves of $2,450,000 and preferred dividends, amounted to $11,262,673. On the basis of shares outstanding on March 31, 1945, viz., 385,315 preferred and 1,649,922 common, and allowing for annual sinking fund requirements of $750,000 for retiring around 15,000 preferred, and for $2 preferred dividends on the average amount of preferred outstanding during the 12-month period, viz., 393,115, the following approximate comparison results:

Before Refinancing

Net Operating Profits	$11,262,673
Less Pref. Stock Sinking Fd.	750,000
	$10,512,673
Less Pref. Stock Dividends	786,230
Available for Common	$9,726,443
Per Share	$5.90
Net Security Profits	$4,006,352
Per Share	$2.43
Total Net Op. & Sec. Profits	$8.33

After Assumed Refinancing
(Assuming 412,480 new common)

Net Operating Profits	$11,262,673
Per Share of Common	$5.46
Net Security Profits	$4,006,352
Per Share of Common	$1.94
Total Net Op. & Sec. Profits	$7.40

Thus, the approximate effect on earnings through elimination of the leverage of the preferred and the dilution of the common, based on the above figures, is to reduce net operating earnings per common share by about 7.5%, and net security profits per common share by a straight 20%. The latter percentage would remain constant but the net operating earnings percentage would be variable due to leverage.

Whether or not the bank will consider increasing the $2 dividend on the common stock is not known. Certainly earnings during the past several years would appear to justify such action, for net operating profits alone, exclusive of net security profits, have averaged per share of common, approximately double the dividend payments.

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Bretton Woods Bill As Amended

(Continued from page 2393)

fice until their successors have been appointed.

(b) The President, by and with the advice and consent of the Senate, shall appoint an alternate for the governor of the Fund, who shall also serve as alternate for the Governor of the Bank. The President, by and with the advice and consent of the Senate, shall appoint an alternate for each of the executive directors. The alternate for each executive director shall be appointed from among individuals recommended to the President by the executive director. The terms of office for alternates for the governor and executive director shall be the same as the terms specified in subsection (a) for the governor and executive directors.

(c) No person shall be entitled to receive any salary or other compensation from the United States for services as a governor, executive director, or alternate.

National Advisory Council on International Monetary and Financial Problems

Sec. 4. (a) In order to coordinate the policies and operations of the representatives of the United States on the Fund and the Bank and of all agencies of the Government which make or participate in making foreign loans or which engage in foreign financial exchange or monetary transactions, there is hereby established the National Advisory Council on International Monetary and Financial Problems (hereinafter referred to as the Council), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Trustees of the Export-Import Bank of Washington.

(b) (1) The Council, after consultation with the representatives of the United States on the Fund and the Bank, shall recommend to the President general policy directives for the guidance of the representatives of the United States on the Fund and the Bank.

(2) The Council shall advise and consult with the President and the representatives of the United States on the Fund and the Bank on major problems arising in the administration of the Fund and the Bank.

(3) The Council shall coordinate by consultation or otherwise, so far as practicable, the policies and operations of the representatives of the United States on the Fund and the Bank, the Export-Import Bank of Washington and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions.

(4) Whenever, under the Articles of Agreement of the Fund or the Articles of Agreement of the Bank, the approval, consent or agreement of the United States is required before an act may be done by the respective institutions, the decision as to whether such approval, consent, or agreement, shall be given or refused shall (to the extent such decision is not prohibited by Section 5 of this Act), be made by the Council, under the general direction of the President. No governor, executive director, or alternate representing the United States shall vote in favor of any waiver of condition under Article V, Section 4, or in favor of any declaration of the United States dollar as a scarce currency under Article VII, Section 3, of the Articles of Agreement of the Fund without prior approval of the Council.

(5) The Council from time to time, but not less frequently than every six months, shall transmit to the President and to the Congress a report with respect to the participation of the United States in the Fund and the Bank.

(6) The Council shall also transmit to the President and to the Congress special reports on the operations and policies of the Fund and the Bank, as provided in this paragraph. The first report shall be made not later than two years after the establishment of the Fund and the Bank, and a report shall be made every two years after the making of the first report. Each such report shall cover and include: the extent to which the Fund and the Bank have achieved the purposes for which they are established; the extent to which the operations and policies of the Fund and the Bank have adhered to, or departed from, the general policy directives formulated by the Council, and the Council's recommendations in connection therewith; the extent to which the operations and policies of the Fund and the Bank have been coordinated, and the Council's recommendations in connection therewith; recommendations on whether the resources of the Fund and Bank should be increased or decreased; recommendations as to how the Fund and Bank may be made more effective; recommendations on any other necessary or desirable changes in the Articles of Agreement of the Fund and of the Bank or in this Act; and, an over-all appraisal of the extent to which the operations and policies of the Fund and the Bank have served, and in the future may be expected to serve, the interests of the United States and the world in promoting sound international economic cooperation and furthering world security.

(7) The Council shall make such reports and recommendations to the President as he may from time to time request or as the Council may consider necessary to more effectively or efficiently accomplish the purposes of this Act or the purposes for which the Council is created.

(c) The representatives of the United States on the Fund and the Bank, and the Export-Import Bank of Washington (and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions) shall keep the Council fully informed of their activities and shall provide the Council with such further information or data in their possession as the Council may deem necessary to the appropriate discharge of its responsibilities under this Act.

Certain Acts Not to Be Taken Without Authorization

Sec. 5. Unless Congress by law authorizes such action, neither the President nor any person or agency shall on behalf of the United States (a) request or consent to any change in the quota of the United States under article III, section 2, of the Articles of Agreement of the Fund; (b) propose or agree to any change in the par value of the United States dollar under article IV, section 5, or article XX, section 4, of the articles of Agreement of the Fund, or approve any general change in par values under article IV, sec-

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tion 7; (c) subscribe to additional shares of stock under article II, section 3, of the Articles of Agreement of the Bank; (d) accept any amendment under article XVII of the Articles of Agreement of the Fund or article VIII of the Articles of Agreement of the Bank; (e) make any loan to the Fund or the Bank. Unless Congress by law authorizes such action, no governor or alternate appointed to represent the United States shall vote for an increase of capital stock of the Bank under article II, section 2, of the Articles of Agreement of the Bank.

Par Value of United States Dollar

Sec. 6. When the United States is requested by the Fund to communicate the par value of the United States dollar, such par value shall not be communicated as other than 15 5/21 grains of gold nine-tenths fine.

Depositories

Sec. 7. Any Federal Reserve bank which is requested to do so by the Fund or the Bank shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

Payment of Subscriptions

Sec. 8. (a) Subsection (c) of section 10 of the Gold Reserve Act of 1934, as amended (U. S. C., title 31, sec. 822a), is amended to read as follows:

"(c) The Secretary of the Treasury is directed to use $1,800,000,000 of the fund established in this section to pay part of the subscription of the United States to the International Monetary Fund; and any repayment thereof shall be covered into the Treasury as a miscellaneous receipt."

(b) The Secretary of the Treasury is authorized to pay the balance of $950,000,000 of the subscription of the United States to the Fund not provided for in subsection (a) and to pay the subscription of the United States to the Bank from time to time when payments are required to be made to the Bank. For the purpose of making these payments, the Secretary of the Treasury is authorized to use as a public-debt transaction not to exceed $4,125,000,000 of the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such purpose. Payment under this subsection of the subscription of the United States to the Fund or the Bank and repayments thereof shall be treated as public-debt transactions of the United States.

(c) For the purpose of keeping to a minimum the cost to the United States of participation in the Fund and the Bank, the Secretary of the Treasury, after paying the subscription of the United States to the Fund, and any part of the subscription of the United States to the Bank required to be made under article II, section 7 (i), of the Articles of Agreement of the Bank, is authorized and directed to issue special notes of the United States from time to time at par and to deliver such notes to the Fund and the Bank in exchange for dollars to the extent permitted by the respective Articles of Agreement. The special notes provided for in this subsection shall be issued under the authority and subject to the provisions of the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include the purposes for which special notes are authorized and directed to be issued under this subsection, but such notes shall bear no interest, shall be nonnegotiable, and shall be payable on demand of the Fund or the Bank, as the case may be. The face amount of special notes issued to the Fund under the authority of this subsection and outstanding at any one time shall not exceed in the aggregate the amount of the subscription of the United States actually paid to the Fund, and the face amount of such notes issued to the Bank and outstanding at any one time shall not exceed in the aggregate the amount of the subscription of the United States actually paid to the Bank under article II, section 7 (i), of the Articles of Agreement of the Bank.

(d) Any payment made to the United States by the Fund or the Bank as a distribution of net income shall be covered into the Treasury as a miscellaneous receipt.

Obtaining and Furnishing Information

Sec. 9. (a) Whenever a request is made by the Fund to the United States as a member to furnish data under Article VIII, Section 5, of the Articles of Agreement of the Fund, the President may, through any agency he may designate, require any person to furnish such information as the President may determine to be essential to comply with such request. In making such determination the President shall seek to collect this information only in such detail as is necessary to comply with the request of the Fund. No information so acquired shall be furnished to the Fund in such detail that the affairs of any person are disclosed.

(b) In the event any person refuses to furnish such information when requested to do so, the President, through any designated governmental agency, may by subpoena require such person to appear and testify or to appear and produce records and other documents, or both. In case of contumacy by, or refusal to obey a subpoena served upon any such person, the district court for any district in which such person is found or resides or transacts business, upon application by the President or any governmental agency designated by him, shall have jurisdiction to issue an order requiring such person to appear and give testimony or appear and produce records and documents, or both; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

(c) It shall be unlawful for any officer or employee of the Government, or for any advisor or consultant to the Government, to disclose, otherwise than in the course of official duty, any information obtained under this section, or to use any such information for his personal benefit. Whoever violates any of the provisions of this subsection shall, upon conviction, be fined not more than $5,000, or imprisoned for not more than five years, or both.

(d) The term "person" as used in this section means an individual, partnership, corporation or association.

Financial Transactions With Foreign Governments in Default

Sec. 10 The Act entitled "An Act to prohibit financial transactions with any foreign government in default on its obligations to the United States", approved April 13, 1934 (U. S. C., title 31, sec. 804a), is amended by adding at the end thereof a new section to read as follows:

"Sec. 3. While any foreign government is a member both of the International Monetary Fund and of the International Bank for Reconstruction and Development, this Act shall not apply to the sale or purchase of bonds, securities, or other obligations of such government or any political subdivision thereof or of any organization or association acting for or on behalf of such government or political subdivision, or to the making of any loan to such government, political subdivision, organization, or association."

Jurisdiction and Venue of Actions

Sec. 11. For the purpose of any action which may be brought within the United States or its Territories or possessions by or against the Fund or the Bank in accordance with the Articles of Agreement of the Fund or the Articles of Agreement of the Bank, the Fund or the Bank, as the case may be, shall be deemed to be an inhabitant of the Federal judicial district in which its principal office in the United States is located, and any such action at law or in equity to which either the Fund or the Bank shall be a party shall be deemed to arise under the laws of the United States, and the district courts of the United States shall have original jurisdiction of any such action. When either the Fund or the Bank is a defendant in any such action, it may, at any time before the trial thereof, remove such action from a State court into the district court of the United States for the proper district by following the procedure for removal of causes otherwise provided by law.

Status, Immunities and Privileges

Sec. 12. The provisions of article IX, sections 2 to 9, both inclusive, and the first sentence of article VIII, section 2 (b), of the Articles of Agreement of the Fund, and the provisions of article VI, section 5 (i), and article VII sections 2 to 9, both inclusive, of the Articles of Agreement of the Bank, shall have full force and effect in the United States and its Territories and possessions upon acceptance of membership by the United States in, and the establishment of, the Fund and the Bank, respectively.

Stabilization Loans by the Bank

Sec. 13. The governor and executive director of the Bank appointed by the United States are hereby directed to obtain promptly an official interpretation by the Bank as to its authority to make or guarantee loans for programs of economic reconstruction and the reconstruction of monetary systems, including long-term stabilization loans. If the Bank does not interpret its powers to include the making or guaranteeing of such loans, the governor of the Bank representing the United States is hereby directed to propose promptly and support an amendment to the Articles of Agreement for the purpose of explicitly authorizing the Bank, after consultation with the Fund, to make or guarantee such loans. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States.

Stabilization Operations by the Fund

Sec. 14 (a) The governor and executive director of the Fund appointed by the United States are hereby directed to obtain promptly an official interpretation by the Fund as to (i) whether its authority to use its resources extends beyond current monetary stabilization operations to afford temporary assistance to members in connection with seasonal, cyclical, and emergency fluctuations in the balance of payments of any member for current transactions and (ii) whether it has authority to use its resources to provide facilities for relief or reconstruction or to meet a large or sustained outflow of capital on the part of any member.

(b) If the interpretation by the Fund answers in the affirmative either of the questions stated in subsection (a), the governor of the Fund representing the United States is hereby directed to propose promptly and support an amendment to the Articles of Agreement for the purpose of expressly negativing such interpretation. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States.

Curtis, Troendle to Be Klehmet & Co. Partners

LOS ANGELES, CALIF.— As of June 1st, Harold E. Curtis and Victor H. Troendle will be admitted to partnership with Hans Klehmet in Klehmet and Co., 650 South Spring Street. Both have been associates of the firm for some time.

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1. Hallicrafters is the world's largest exclusive manufacturer of short wave radio communications equipment.
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6. The American Radio Relay League has offered to the FCC testimony to show that there will be approximately 250,000 licensed amateur radio operators after the war. For many of these and scores of thousands more who want a radio that is all radio there will be no choice but Hallicrafters.

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Bronze Star Is Won By General Evans

BALTIMORE, MD.—Brig. Gen. Henry C. Evans, commanding the 76th Division Artillery has been awarded the Bronze Star Medal for "meritorious service in connection with military operations against an enemy of the United States." The citation accompanying the award stated that during the crossing of three unnamed rivers in the European theater "he vigorously supervised reconnaissance and the forward emplacement of artillery, often disregarding personal safety, in order to provide constant close support of advancing infantry. He also personally led medical officers to two wounded men whom he discovered on a reconnaissance tour.

General Evans is a senior partner of Stein Bros. & Boyce and served several terms as president of the Baltimore Stock Exchange.

Field & Co. Opens in Portland, Oregon

PORTLAND, OREG.—Field & Co., Inc. is engaging in a securities business from offices in the U. S. National Bank Building. W. Glenn Field, president of the firm, was formerly with Camp & Co., Ferris & Hardgrove, and Drumheller, Ehrlichman & White. In the past he was an officer of Sloan, Wilcox & Field.

Formation of Field & Co., Inc. was previously reported in the Financial Chronicle of April 26th.

W. E. Lutts Opens

CONCORD, N. H.—W. Earle Lutts is engaging in a general brokerage business under the firm name of W. E. Lutts & Co. Offices are located in the New Hampshire Savings Bank Building. Mr. Lutts was previously with Schirmer, Atherton & Co. and in the past with Tifft Brothers.

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Canadian Securities

By BRUCE WILLIAMS

The Canadian financial mission to London, composed of Governor Towers of the Bank of Canada, Dr. W. A. MacIntosh of the Department of Finance and Mr. H. McKinnon, Chairman of the Tariff Board, which will discuss with the British Treasury the extension of credits to Britain to finance Canadian exports to Britain in the post-war period, apparently has the task of endeavoring to modify the attitude of the British on this question as conveyed by Lord Keynes in the course of his recent visit to Canada.

It would seem that this distinguished economist, the originator of a world currency scheme that finally blossomed forth as the Bretton Woods plan, has applied the same cold academic reasoning to this Canadian situation and has again ignored the human factor. Problems of this kind can not be solved blindly and ruthlessly by a theoretical scientific approach. From Britain's point of view, it is certainly desirable that purchases from Canada should be paid for by Canadian imports from Britain, but it should not be forgotten that by Canadian gifts and Mutual Aid it was possible to provide the people of Britain with an adequate diet during the most trying period of the war.

When, however, the suggestion is mooted that Canadian industry might establish plants in Britain in order to provide Canadian exchange to pay for imports from Canada, the approach is not even scientific, and is decidedly lacking in vision. On the contrary, a greater participation by Britain in the development of Canadian industry and natural resources would not only benefit Canada, but it could also be the means whereby Britain could largely solve her own great economic problem. Britain has a considerable exportable surplus of financial and industrial genius and, to a lesser degree, skilled labor, while Canada has vast undeveloped natural wealth, has the world's largest and cheapest sources of hydro-electric power, and is strategically placed at the air cross-roads of the world.

Economic problems are not solved airily by coldly calculated plans and systems for over-all blind controls. The greatest factor in economic development is human initiative and imagination based upon practical experience. It could very well be asked in Britain whether the Hudson's Bay Company and the East India Company could possibly have come into existence to found Britain's vast commercial espire, if commercial policy had followed the advice of universal planners, the success of whose schemes depends upon the bureaucratic state controls and ignoring the human element.

Turning to the market for the past week, the only real activity was in Alberta issues which established new high levels following further approval given to the debt refunding plan by the Dominion Government and the British Alberta Bondholders' Committee. Internals continued active especially mining issues. Labrador Mining and Exploration against attracted attention and consolidated most of its recent gains.

With the end of the Spring break-up in sight, Yellowknife golds were more prominent. Considerable development is expected in this area during the Summer and results are likely to confirm that Canada has discovered another major gold field. The Canadian dollar in the free market was a little erratic and fluctuated between 9⅛% and 9½%, as anticipation of heavy dividend disbursements on June 1 was offset by steady buying of internal securities.

With regard to the possible future course of the market, it is likely that the imminence of the Federal elections will commence to become a factor; although no unfavorable outcome is anticipated a precautionary waiting on the sidelines might cause some levelling off at these peak levels.

Secondary Offering Made Of Revere Copper Stock

Blyth & Co., Inc., on May 28 offered after the close of the Stock Exchange as a secondary distribution a block of 150,000 shares (no par) common stock of the Revere Copper and Brass, Inc., at $15.75 a share. The offering does not constitute new financing by Revere, the shares having been sold to the bankers by the General Cable Corp.

A dealers' discount of 50 cents a share was allowed on the offering. Blyth & Co. anounced that the offering had been oversubscribed and the books closed.

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Canadian Activity Is Reported by Bank of Montreal

Prime Minister Mackenzie King of Canada has announced that, in conformity with the plan arrived at during the Quebec Conference n September, 1944, approximately 30,000 Canadian soldiers will serve in the prosecution of the war against Japan, and will consist of an infantry division, supported by the appropriate armored and ancillary troops, to operate with the United States Army, said the monthly report on activity in Canada issued by the Bank of Montreal, which further said: The naval force will be approximately 13,500 men of all ranks. The precise character and strength of the R.C.A.F., which has yet to be settled, will be proportionate to that of the other two services. The naval force, which will cooperate with the British Pacific fleet, will comprise cruisers, light fleet aircraft carriers, destroyers and frigates.

The report issued May 24 added: The European victory enables the government to effect an immediate, if only partial, easement of restrictions upon the production of commodities for civilian use. So long as the war against Japan continues, there can be no complete reconversion of Canadian industry, but widespread and progressive changes are now possible.

Certain taxes imposed for purely wartime needs have been lowered or discontinued since the close of the European phase of the war. The special tax of 25% on household gas and electric appliances has been removed; the special excise levy on passenger automobiles has been reduced from a graduated scale ranging from 25% to 80% to a flat 10%; the excise tax on radios, phonographs and cameras has been reduced from 25% to 10%; the sales tax on building materials (discontinued before the war and reimposed in 1941) has been removed; and the war exchange tax, imposed for temporary purposes in 1940, has been rescinded in so far as it applied to producers' machinery and equipment and to building materials.

In respect to the general economic activity, the first quarter of 1945 did not maintain the high production level of the early period of the last year. The index of the physical volume of business showed a 9% recession, the manufacturing production being down slightly more than 10%. Mining output was reduced considerably. Ontario and Quebec both reported declines in gold output, mainly owing to the manpower shortage. Packing plants are handling substantially more beef and less pork products than a year ago. Newsprint production was up 4.4% in the first four months. To newsprint manufacturers, as well as to producers of pulp and lumber, the heavy rainfall of the past month has been very helpful, because it has swollen the rivers and streams and facilitated the driving to the collecting centres of much lumber and pulpwood which might otherwise have had to remain in the woods. The latest figures on wholsale trade show that the dollar volume in March was 6% higher than in March 1944. There has been continued stability in commodity prices and in the cost-of-living index. Dominion revenue returns for April show a decline of $15,237,000, as compared with the same month last year. External trade fell in value from $1,180,725,000 in the first quarter of last year to $1,155,775,000 in the first quarter of 1945, the decrease being in imports, which totalled $374,500,000, as compared with $415,500,000. In April exports had a value of $312,323,000, as compared with $282,391,000 in April, 1944.

The monthly report of the chartered banks, as at March 31, showed a further upward movement in notice deposits, the total rising from $2,630,584,000 on February 28 to $2,724,692,000. A year ago these deposits stood at $2,225,417,000. Demand deposits were up from $1,859,429,000 to $1,934,782,000 in the monthly comparison. Current loans in Canada declined from $1,102,110,000 to $1,066,861,000. Debits to individual bank accounts in April totalled $4,855,000,000, as compared with $4,561,000,000 in April, 1944.

The Canadian people, as individuals and corporate bodies, have achieved another spectacular triumph in the pronounced success of the Eighth Victory Loan. The minimum objective of $1,350,000,000 was exceeded by $185,217,000, the total of subscriptions being $1,535,217,000, an all-time high, with some further reports still to come in. Individual subscribers took a total of $805,560,000, as compared with $750,076,000 at the same date in the Seventh Victory Loan campaign.

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McCormick in SEC Post

The Securities and Exchange Commission on May 17 announced that Edward T. McCormick had been appointed as an Assistant Director in its Corporation Finance Division.

Mr. McCormick joined the staff of the Securities Division of the Federal Trade Commission on May 15, 1934, and except for a 16-month loan to the War Production Board has been employed continuously since that date in work under the Securities Laws administered by the Commission. For almost three years he has served as Assistant Chief Accountant in the Corporation Finance Division.

The Corporation Finance Division assists the Commission in the administration of the Securities Act of 1933, provisions of the Securities Exchange Act of 1934 relating to the listing of securities upon national securities exchanges and related requirements, the Trust Indenture Act of 1939, and the Investment Company Act of 1940, and in work under Chapter X of the Bankruptcy Act.

Bretton Woods: Some Questions Still Unanswered

(Continued from page 2392)

enabling bill, the USSR will have been given assurance of access to an equivalent amount of dollars by some other device, such as loans by the American Government directly.

Has the Bank the power to make stabilization loans? This has never been a very serious question; the Treasury Department contending, and others agreeing, that the Bank agreement does contain this power. However, the amendment of HR 2211 on this point, now incorporated in HR 3314, will enable us to get the matter cleared up, after the Bank starts operating. Most critics of the Fund all along have declared the Bank to be quite acceptable, because its loans would be limited to specific and meritorious projects of a self-liquidating nature. If, however, the Bank has the power to make general-purpose "stabilization" loans, to the extent that it does so the virtue just mentioned tends to be dissipated and the Bank becomes a weaker Bank.

Is the Fund limited to short-term loans? It is the expressed intention of one of the amendments to the enabling bill to see to it that the Fund makes only short-term loans for current monetary stabilization. This amendment needs to be read in connection with the one relating to stabilization loans by the Bank. Like that amendment, the matter cannot be cleared up until the Fund is in operation and it officially interprets its authority.

It should be realized, however, that even if the Fund agrees with the intent of the U. S. Congress, the expression "short term" remains undefined. Moreover, once a short-term loan is paid off, it may be re-made. This is not to impute bad faith to the management of the projected Fund, but to recognize that the Fund will be a political body exercising economic powers. The policies the Fund pursues during any given period are likely to reflect the political demands of the time, rather than what may have been in the mind of the American Congress prior to the Fund's creation.

If the American governor on the Fund and Bank gets those institutions to accept the interpretations as to stabilization loans which Congress is writing into the enabling bill, there is no doubt that the Fund will be a stronger Fund. The Bank, as mentioned, may be a weaker Bank, depending on how strictly it exercises, in respect to general purpose stabilization loans, its power to turn down unmeritorious applications. For such longer-term stabilization loans, the statutory automaticity implicit in the Fund quotas will be absent; but there may still be a moral commitment, depending upon what was said behind closed doors at BW. It will be recalled that the minutes of the executive sessions of the BW conference have never been published. It is a fair assumption that to some extent the Fund quotas, arrived at by negotiation, had in mind the kind of stabilization loans which Congress now wants the Bank to be responsible for.

Obviously, the Fund and Bank will not be operating in a vacuum and their success will be qualified by whatever other financial aid strong nations extend abroad. To Comrade Stalin, for example, it makes little difference whether the Fund and Bank put more dollars in his coat pocket and the Export-Import Bank less dollars in his vest pocket, or the other way around. It is the sum total of dollars he gets in all his pockets that count with him. If the Fund is limited to short-term operations, it is much more likely to survive the transition years than otherwise. Whatever is done about the Fund, the world's total financial desires will be the same. If the Fund is not frozen in its infancy, it will be because the burdens now awaiting it will have been shifted to other shoulders. A frozen stabilization loan will show up very quickly in the Fund. In the Bank it can remain for years undetected by the general public. From the standpoint of this country's interests, the dollars **in the Fund** may be better safeguarded if the Fund accepts the interpretations in Sections 13 and 14 of HR 3314, without any assurance that the **total** of dollars we lend abroad in the years ahead is any safer for the changes mentioned.

Are two institutions necessary? Many critics of BW have contended that a separate monetary Fund is unnecessary, since the Bank could well perform the stabilization functions. Congress apparently regards a separate Fund as indispensable, and has definitely rejected suggestions for the elimination of the institution's $8,800 million of miscellaneous resources. In specifying for the United States that the governor of the Fund and Bank shall be the same person—implying the hope that the other member countries will follow our lead as to their representatives on the Fund and Bank boards of governors—Congress is giving recognition to the critics who warned about too much multiplicity of institutions, with rivalry for and among their personnel. Assistant Secretary of the Treasury Harry D. White objected to a single institution because it would make it possible for its "Bank" department to cover up bad loans made by the "monetary" department. In retrospect, the question of two institutions or one appears to have been largely a question of $18 billions or $9 billions, with the issue decided in Congress in favor of the larger figure.

Is BW inflationary? This is another question raised during the debate and hearings on BW and seemingly put aside by the committee as unimportant. Those who have supported BW because of the exports and jobs the program will make are certainly interested in it precisely because it is inflationary in direction. These include labor and farm groups, and export interests as such. To the extent of $1,800 millions the Fund will mean turning over to foreign "customers" of the American economy that amount of money created by the simple device of devaluation in 1934. The money is turned over not as a gift, but as a "loan" through the Fund, a process Dr. White has euphemistically dubbed an exchange of currencies.

The fact remains that BW is wartime legislation, passed with the label of "international cooperation" in the spirit of Lend-Lease. Some advocates of BW frankly state that it is unimportant whether or not the money lent is ever repaid. The loans will not be fully repaid. But it may take perhaps a generation to prove it. After all, the War Debts of the first world war are still carried as assets by the Treasury Department.

Frank T. Walker With E. F. Hutton & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Frank T. Walker has become associated with E. F. Hutton & Co., 160 Montgomery Street. For many years Mr. Walker was a partner in McNear & Co.

Truman Recommends Larger Unemployment Benefits

(Continued from page 2390)

program: The lack of adequate benefits for workers temporarily unemployed during the transition from war to peace. I urge the Congress to close this gap.

I am confident that, with appropriate measures, we can avoid large-scale and lengthy unemployment during the transition period. However, some temporary unemployment is unavoidable, particularly when total demobilization becomes possible. Even if reconversion proceeds rapidly, no amount of planning can make jobs immediately available for all displaced personnel. We must provide maximum security to those who have given so fully of themselves on the fighting and production fronts.

The transition from war to peace is part and parcel of the war and we cannot shirk our obligation to those temporarily unemployed through no fault of their own.

To produce what is needed for the Pacific war, we must appeal to the workers to accept and remain in jobs which they ultimately must lose when munitions production ceases. The Government has thus incurred a moral obligation to these workers and to those who have stuck faithfully to their post in the past.

To fulfill this obligation, we must rely principally upon our existing system of unemployment insurance. However, the existing State laws embrace three major defects.

1. Only about 30,000,000 of our 43,000,000 non-agricultural workers are protected by unemployment insurance. The absence of protection for Federal government employees—in Navy yards, arsenals and government offices—is particularly inequitable, since these workers are subject to risks of unemployment similar to the risks of those who work for private employers. Lack of protection for employees of small establishments and for maritime workers also constitutes a serious shortcoming in the present programs.

2. The weekly benefit payments provided under many of the State laws are inadequate to maintain purchasing power and to provide a reasonable measure of economic security for the workers. Most States fix a maximum rate of $15 to $18 a week. This is clearly inadequate to protect unemployed workers against ruthless cuts in living standards, particularly if they have families.

3. The length of time for which benefits are paid is too short. In nearly one-third of the States, no worker can receive more than 16 weeks of benefits in any year, and many workers do not qualify even for this length of time.

Therefore, I recommend specifically that Congress take emergency action to widen the coverage of unemployment compensation and to increase the amount and duration of benefits—at least for the duration of the present emergency period of reconversion. Basically this can be accomplished only by amending the social security act so as to induce State laws to provide more adequately for any one who is unemployed.

To be sure, the States have large sums in the unemployment trust fund. But since changes of State laws cannot be effected overnight, I propose that the Congress, during this emergency period, extend the coverage of unemployment compensation to include Federal employees, maritime workers, and other workers not now insured. Moreover, I see no feasible way to make benefits payable to such workers, unless they are financed entirely by the Federal Government during the present emergency. The benefits should appropriately be administered by the States.

I also recommend that Congress provide, through supplementary Federal emergency benefit payments, minimum standards for the weekly rate and duration of unemployment benefits. Every eligible worker should be entitled to 26 weeks of benefits in any one year, if his unemployment continues that long. The maximum payment at least for the worker who has dependents, should be raised from present levels to not less than $25 per week. In this connection, Congress will no doubt wish to reexamine the readjustment allowance provisions of the G. I. Bill of Rights. All payments should be made through the existing unemployment compensation machinery of the several States, just as payments to veterans are now made.

Bulwark Against Deflation

These provisions are essential for the orderly reconversion of our war-time economy to peacetime production. They are badly needed for the duration of the reconversion emergency.

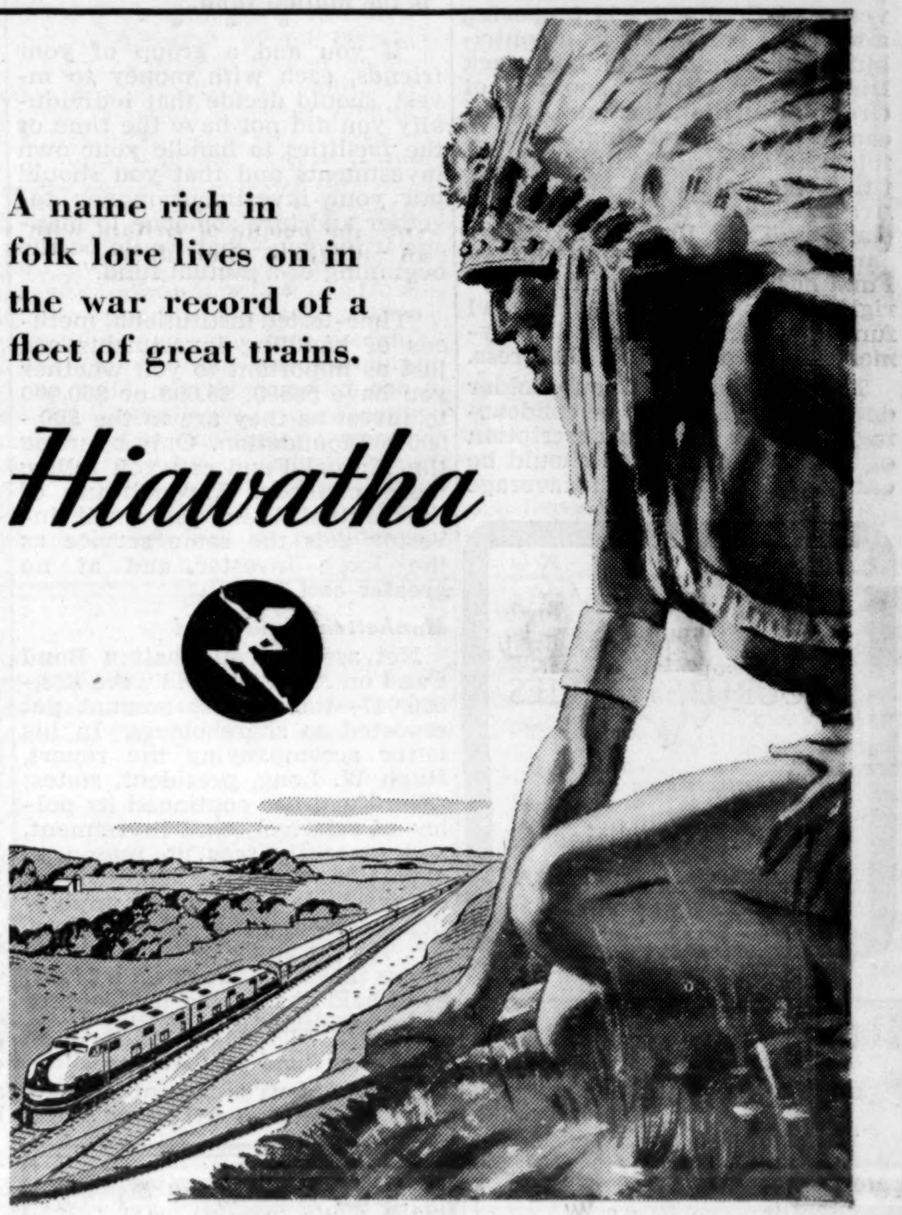
Decent unemployment benefits would serve as a bulwark against post-war deflation. By assuring workers of a definite income for a definite period of time, Congress will help materially to prevent a sharp decline in consumer expenditures which might otherwise result in a downward spiral of consumption and production. Adequate unemployment insurance is an indispensable form of prosperity insurance.

Congress will soon deal with the broader question of extending, expanding and improving our social security program, of which unemployment insurance is a part. Although such improvement is fundamental, Congressional deliberations on the broad issues will take time. On the specific issue of unemployment benefits, we may not have time available. We are already entering the first phase of reconversion; we must be prepared immediately for the far larger problems of manpower displacement which will come with the end of the war in the Pacific.

I earnestly hope, therefore, that the appropriate committees of Congress will undertake immediate consideration of the emergency problem.

HARRY S. TRUMAN.

The White House, May 28, 1945.



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Mutual Funds

Coming of Age

During the past 15 years mutual funds in this country may be said to have passed through their infancy and an unusually turbulent period of adolescence. Today they are in somewhat the same position as a young man who, having come of age, pursues his course with confidence and a determination to win recognition in his chosen field.

One of the significant facts in the relatively brief history of the mutual funds is that up until now there has been no concerted, down-to-earth effort to tell investors exactly what they are. They have been sold on the strength of this or that attractive feature.

Investment company sponsors have talked about "Selection, Diversification and Continuous Supervision" until they seem to take for granted that everyone understands what they mean when they use these words. No one has done a good job of answering in language which investors could understand the basic questions:

A. What is a mutual fund?

B. Why should I invest in one?

This week evidence comes to hand that the whole mutual fund industry is beginning to realize the need for a nation-wide educational program which will answer these questions in a manner satisfactory to the man in the street.

The National Association of Investment Companies is preparing a series of pamphlets as a contribution in this direction. Last week **Distributors Group,** sponsor of **Group Securities, Inc.** and **American Foreign Investing,** sent a folder to all affiliated dealers entitled "Mutual Funds—What They Are and What You, as an Investor, Gain by Their Use." **W. L. Morgan & Co.,** sponsor of **Wellington Fund** has announced a new copyrighted booklet about mutual funds "written to interest the layman," soon to come off the press.

The Distributors Group folder does an excellent job of condensing into four pages a description of mutual funds which should be easily understood by the average investor. Here are some excerpts from the folder:

"Whenever several individuals combine to provide themselves with a service that no one of them alone could obtain, it is a **mutual** enterprise. The mutual insurance company is a familiar example. The mutual savings bank is another.

"In the field of investment it is the mutual fund."

* * *

"If you and a group of your friends, each with money to invest, should decide that individually you did not have the time or the facilities to handle your own investments and that you should put your investment money together and hire someone to manage it for you—that would be the beginning of a mutual fund."

* * *

"Time-tested institutional methods of handling investments are just as important to you whether you have 5$500, $5,000 or $50,000 to invest as they are to the $50,000,000 foundation. Only by using the Mutual Fund can you follow these methods. Through use of the Mutual Fund the small investor gets the same service as the large investor **and at no greater cost."**

Manhattan Bond Fund

Net assets of **Manhattan Bond Fund** on April 30, 1945 were $23,026,047—the highest amount yet reported to shareholders. In his letter accompanying the report, Hugh W. Long, president, states: "The Fund has continued its policy of relatively full investment, and presently sees no reason to depart from the full employment of investable funds in the production of income for shareholders. . . . Recent study of the portfolio shows that on average each $1,000 bond held has behind it resources of approximately $2,100."

Affiliated Fund vs. "Averages"

Lord, Abbett's current Investment Bulletin on **Affiliated Fund** compares the performance of this leverage fund with that of the Dow-Jones Industrial Average from the April, 1942 low up to V-E Day. During that three-year period, the Average rose 80% while Affiliated Fund advanced nearly 200%.

"As compared with its low point three years ago, the Dow-Jones Industrial Average would now have to be at 273 (107 points higher than its present level) to show a gain equivalent to that made during the same period by Affiliated Fund. Put another way, if Affiliated had only gone up as much as the Dow Average, it would now be but 3.2 instead of 5.47."

First Mutual Trust Fund

In its annual report to shareholders for the year ended April 30, 1945, **First Mutual Trust Fund** shows net assets of $2,687,148, as compared with $2,242,036 a year earlier. Investments at the fiscal year-end were divided as follows:

	April 30, 1945
Preferred Stocks	22.97%
Common Stocks	74.02%
Cash and Receivables	3.01%

Reconversion

In the current issue of **Abstracts,** Jim Flynn of the **Lord, Abbett** Management staff reports on a recent field trip to the midwest.

"The most outstandinf factor in the steel and automobile industries is the confident manner in which managements are approaching the reconversion period. Six months ago there was some fear and trepidation, but this has now been replaced by a feeling that it can be accomplished without serious upset. . . .

"In both Pittsburgh and Cleveland there has been a reduction in steel finishing operations to a six-day week thus doing away with the seventh day of work which carries a double-time premium. Reconversion will be minor and could be accomplished within 30 days. . . .

"The concensus of management opinion in the automobile industry is that 6,500,000 to 7,000,000 cars and trucks annually will be produced and sold for at least three years after the war."

Picking the Right Ones

Selected Investments Co., in the current issue of Selections, reports on the performance of **Selected American Shares** in the period from September 2, 1939 to May 2, 1945. During this period, Selected American Shares advanced 41% in market value while the Dow-Jones Industrial Average showed a net gain of 20%.

With the comment that "it's hard to pick the right ones," the 30 stocks comprising the Dow-Jones Industrial Average are listed and their individual performances are shown. Less than one-third of the 30 stocks in this average advanced more than Selected in this period.

New Mailing Card

W. L. Morgan & Co. has offered a new three-fold mailing card to affiliated dealers for contacting prospects and old customers at a minimum of cost. Theme of the card: "A new answer to an old problem."

Mutual Fund Literature

Selected Investments Co.—A new memorandum in its series on college investments; current issue of "These Things Seemed Important." . . . **Keystone Corp.**—Current issue of Keynotes stressing the Seventh War Loan. . . . **Distributors Group.**—Revised memorandum, "How About Steel Stocks," current issue of Steel News.

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Prospectus may be obtained
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of Boston
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Post-War Spending and Inflation

(Continued from page 2391)

consists of bank deposit credits.

In the current situation, the first stage of the wartime inflation has already occurred. This is the inflation of bank credit, evidenced by the rise of bank deposits and of Federal Reserve notes. Bank credit inflation has been produced by the sales of Government bills, notes, and bonds to the banks. Despite the increasing taxation and the bond purchases by non-bank investors, the banks have had to participate substantially in the successive war loans.

The second stage of the inflationary process, which is the advance of prices, has been held in check by the system of price, wage, and ration controls. Without these controls the trend of prices during the present war would no doubt have been similar, or even in excess of the trend during the first World War. It is said that the controls must be extended beyond the war period in order to prevent, then, a skyrocketing of prices during the reconversion period. Whether this will be needed, and whether it would be effective, will largely depend upon the behavior of the people, and their attitude will be influenced in considerable degree by a correct understanding of the facts. Now that they are beginning to sense the inflation danger, it is time to provide a realistic view of the outlook together with some counsel as to the best way of minimizing the danger. The following discussion is offered to meet these needs. Its thesis is that while there is, potentially, a powerful inflationary force, yet there need not be as devastating a destruction of values through runaway prices as is implied in some of the talk about inflation.

The first step toward clear understanding is a diagnosis of the inflation menace by appraising its potential dimensions. Data compiled by the Securities and Exchange Commission reveal an estimated accumulation of buying power in the hands of individuals which, at the end of 1944, exceeded $100 billion. In view of the fact that in 1944 the total of retail sales was some $69.3 billion, and of the further fact that during the reconversion period the quantity of civilian goods cannot be quickly increased, the existence of more than $100 billion of spending power, available for market use at the discretion of the holders, would offer the threat of a pressure on prices too strong to be resisted by any price control authority.

This would no doubt be true if the entire amount which the SEC classifies as savings were to come into the market within a relatively short period of time. An examination of the SEC data provides the basis for concluding that this is not likely to happen. The following table summarizes the record of savings since 1940.[1]

Estimated Gross Savings of Individuals, 1940-1944
(In billions)

Class of Savings—	Amount
Currency and bank deposits	$51.6
Savings and loan associations	2.4
Insurance and pension reserves	26.2
Securities (including U. S. Savings Bonds $34.6 billion)	41.3
Nonfarm dwellings	7.4
Automobiles and other durable consumer goods	41.0
Liquidation of debt not elsewhere classified	1.9
Total gross savings	$171.8
Total nonliquid savings	50.0
Total liquid savings	$121.8

Liquid savings are defined as gross savings less purchases of homes, automobiles and other durable consumer goods, and liquidation of debt previously incurred on account of the purchase of the foregoing classes of goods.

The amounts shown in this table represent the part of individual income receipts during the years 1940-1944 that were not spent for consumer goods and services, other than dwellings and durable consumer goods. They are called "savings." In part the funds represent savings in the true meaning of the term, and in part they represent the accumulation of income receipts which were not spent as received because of rationing controls or the unavailability of goods. So far as the major problem of price inflation is concerned, the apportionment of the total accumulation between these two purposes is the important matter.

Two questions arise in connection with these data. The first is: What proportion of total savings is likely to be spent? The second is: How rapidly will the spending occur?

Neither of these questions can be answered with complete assurance since the holdings of each individual are not rigidly assigned to saving or to spending. Shifts can and do occur from one purpose to the other. It is possible, however, to formulate an opinion on these matters based on the evidence and logic of the statistics themselves.

The part of the total that seems least likely to involve spending after the war is the non-liquid portion, that is, the savings which have gone into houses and durable consumer goods. To the extent that the owners of these goods have clear title, it would be possible to use them as the security for loans, thereby providing cash for ready spending. Distress borrowing of this sort will occur in the future as it has in the past, but its volume is not likely to be important except in a long period of severe depression. Such a period would be one in which consumer spending would be curtailed, hence there would be no inflation threat therefrom.

The first category of the liquid savings is the currency and bank deposits, the holdings of which by individuals increased $51.6 billion in the five years covered by the preceding table. All of this is, of course, spendable on short notice. The principal reason for thinking that this will not occur in the consumer goods market is the fact that, according to the SEC, a substantial portion of demand deposits, and of individual savings generally, is attributable to the owners of unincorporated business.[2] No indication is given as to how large the "substantial portion" is, but the control of that portion by business men suggests that much, if not all of it will be spent for reconversion where necessary; for renewal of stocks of materials, supplies, or finished goods; for modernization; and to some extent in new business ventures. It is not likely, in the first instance, to be poured directly into the consumer market. The owners of unincorporated business will be engaged in producing consumers' goods, in fabrication at some stage or other preliminary to finishing, or in the marketing of such goods. They will observe due caution in their buying of materials, etc., to avoid being caught with over-priced stocks.

If we assume that the increase in cash and bank deposit holdings of business men constitutes half of the total increase, and that most of this half will not be used in the purchase of consumer goods for the use of these persons themselves, then the potential amount of cash and deposits available for consumer spending would be $25.8 billion as of the end of 1944, If we assume, further, that individuals plan to use half of their share of the cash and deposits for some kind of investment if and when favorable oportunity offers, then the amount which would be likely to come into the consumer goods market would be $12.9 billion, or one-quarter of the grand total.

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[1] Securities and Exchange Commission, *Statistical Series,* Release No. 749, March 20, 1945, p. 3.

[2] Securities and Exchange Commission, *Statistical Bulletin,* December, 1944, p. 16,

The additions to deposits in savings and loan associations have been so small, relative to the total, as to constitute no serious inflation threat even if the entire amount thus accumulated were to be withdrawn for consumer spending. That this will happen is quite unlikely, but we might concede that half, or $1.2 billion, will be so used.

The next item in the list, insurance and pension reserves, consists of amounts accumulated under private and Government insurance. The distribution of the total between the two forms, since 1940, is as follows:

Class—	Billions
Private insurance	$12.7
Government insurance	13.6
Total	$26.3

It is improper to classify these accumulations as liquid savings, as if they were available for spending like currency and bank deposits, or savings bonds. They do represent cash withdrawals from employee and employer income and in this sense they are "savings" rather than spendings. But those who performed the "saving," voluntarily in the case of private insurance and under compulsion in the case of Government insurance, have no access to the funds such as they would have if the same amounts had been deposited in personal banking accounts.

A small amount of cash will be realizable from these savings, but it would be of no consequence as an inflation threat and is disregarded here. In the case of private insurance, the accumulation has been built up by the payment of premiums on all sorts of life insurance and annuities. Life policies accrue a cash surrender value and also a loan value as premiums are paid. In neither case would the amount realizable be more than a minor fraction of the premium payments. In order that any part of the $12.7 billion which the people have paid since 1940 to maintain insurance policies should become available for consumer spending, it would be necessary to sacrifice the protection of the policies by taking the cash surrender value, or to cut into that protection by borrowing against the loan value. While both of these practices occur, and both are available to policyholders to meet emergencies, it is not reasonable to expect that any substantial impairment of personal insurance will be resorted to in order to acquire spending money after the war.

The Government insurance represents the amounts collected for the social security reserves against old-age and unemployment benefits, the national service life insurance fund, and the various Federal, State and local pension funds. Payments will be made out of these reserves only as individuals become eligible to receive them, and then only to the extent that the current obligations to pay benefits exceed the current contributions to these funds. The unemployment reserve is the one most likely to be drawn upon extensively within a short period, but this would occur only when and as severe unemployment had developed, a condition in which other spending would have declined materially. It is safe, therefore, to exclude the entire amount added to the insurance and pension funds from the total of savings likely to be used to produce a dangerous price inflation.

There remains, in the liquid savings category, the purchases of securities. Of the total shown in the first table above, $34.6 billion consists of United States Savings Bonds. These bonds are widely held. They are redeemable after 60 days according to a fixed schedule of interest accrual at a rate well below that which would be earned if the bonds were held to maturity. Those who are carrying such bonds as an investment therefore have a strong incentive to keep them until maturity.

Nevertheless, the entire current redemption value of the savings bonds can be called for by the holders now, or at the end of the war. A certain small proportion of the outstanding amount is presented every month for redemption. The redemption rate may be expected to rise somewhat after the war, but there is no reason to believe that any large proportion of them will be presented promptly upon the conclusion of hostilities. A very liberal allowance would be one-fourth of the above total within one year. This would be about $8.7 billion of the savings bonds.

The other securities acquired include other Government bonds and private securities. Conversion of these into cash involves sale in the market, thereby absorbing cash from the buyers, except to the extent that new bank loans are involved. The amount of other securities is $6.7 billion. If we grant that half of this total is hypothecated or sold to purchasers who make use of new bank credits in buying them, the addition to the inflation money would be about $3.3 billion.

Summarizing these estimates of the amount of the liquid savings which may be destined for consumer spending, we get the following:

Class of Savings—	Billions
Currency and bank deposits	$12.9
Savings and loan associations	1.2
Securities	12.0
Total	$26.1

Thus it appears that instead of total liquid savings amounting to $121.8 billion hanging over the consumer market as of the end of 1944, the amount likely to be spent for consumer goods is barely more than one-fifth of that total. For good measure call it $30 billion, or one-fourth of the total so-called "liquid savings." To be sure, even so much as $30 billion could be a grave threat to price stability if the spending were to happen within a short time. Peculiar importance is thus given to the second question posed at the outset of this discussion, namely, How rapidly will the spending occur? Obviously the effect on prices will be governed by this rate.

Spending to Be Gradual

Again no prophetic answer can be given, but the logic of the case suggests that no large part of the savings earmarked for consumption spending is likely to come into the market at one time, or even in one year.

The funds destined to be spent will be used under one or other of two circumstances. The first is unemployment, when savings must be drawn upon to supplement unemployment compensation. The second is the purchase of goods which were not available during the war, such as a car, washing machine, radio, refrigerator, new clothing, house repairs or new household equipment; or the payment of children's school costs, the expense of travel, and the like.

The spending that will be necessary in supplementation of unemployment compensation will occur gradually. The entire labor force will not be thrown out of employment at the conclusion of active hostilities. A large part of it will continue to be employed and to receive income. These persons will experience no special urgency to drawn upon savings in order to supplement current income for living expenses. The amount and the duration of the unemployment that may occur during the reconversion period cannot now be forecast. Much will depend upon the freedom allowed to management to proceed with plans for civilian production as munitions orders are reduced. If there be sufficient unemployment to require rapid disbursement of the reserve held to pay compensation benefits, the payments will occur at a time when they would not be a serious inflation threat because of reduced spending by consumers generally.

With respect to the plans which so many have been making for the acquisition of durable consumer goods, it is common knowledge that a large backlog of accumulated demand exists. In addition to replacements, there will be many whose wartime earnings will have put them for the first time in a position to acquire such goods. A certain impatience will be experienced by all who have been looking forward to the fulfillment of their plans.

It does not follow, however, that this impatience will lead to a mad scramble for the first units of post-war production or that many people will be ready to pay fanciful prices for what they want in order to get it immediately rather than wait a few months longer. This would imply that large numbers of people had lost all sense of the value of money or that there is to be no guide to post-war costs. As to the latter, there will no doubt be a return to the practices of price publicity which prevailed before the war. The responsible manufacturers of automobiles, radios, refrigerators, washing machines, etc., will establish reasonable factory prices on the basis of their costs and normal profit expectations. These prices will be higher than those of the pre-war period, but they will be related as before to labor and other costs plus profits. Such prices are seldom kept secret. Rather, they are featured prominently in the manufacturers' advertising and in the sales promotion of dealers. Thus the people generally will be advised of the prices they should pay.

As the assembly lines begin to function, the respective products will be available to dealers on an established factory price basis. The methods whereby dealers will apportion the early supply among their customers will vary, and will in any case be their own concern. Until the urgent need is met there must inevitably be some orders for future delivery, regardless of the price that any one might be willing to pay for the first units off the assembly line.

Potential Inflation Not Menacing

To this point it may be concluded, first, that while the inflation potential in the accumulated liquid savings is significant, even after being whittled down to realistic proportions, it is not necessarily menacing. If it were to be used in the market gradually, over some years, it would be conducive to steady production and employment. On the other hand, if it were to be dumped into the market suddenly, it could seriously endanger price stability.

The one thing that could convert the post-war marketing process from the orderly one outlined here into a mad scramble for goods at any price would be a first-rate price inflation scare. If enough people get the idea, rightly or wrongly, that the money represented by their savings bonds, insurance policies and bank deposits is destined to decline rapidly in buying power, there could develop a spending spree in which a lot of innocent people would get hurt. Perfectly sound banks have been wrecked by runs, and a wild inflation scare is a bank run magnified many fold. Dealers and manufacturers alike could hardly resist being drawn into this whirlpool once it really got going.

Whether the people will release their savings that have been earmarked for consumption in a flood or in an orderly flow will depend largely upon their views about the future purchasing power of these funds. Assurance of continued stability of purchasing power will be the factor best calculated to result in orderly, prudent spending of the accumulated income intended for consumption purposes. A lack of confidence would lead to efforts to convert as much as possible of the whole $120 billion of so-called "liquid savings" into goods.

Maintain Confidence in the Dollar

The maintenance of confidence in the stability of our purchasing power is evidently a responsibility of Government. Continuance of controls over prices, wages, and rationing will do little to preserve this confidence. On the contrary, such controls after the war are quite likely to be construed as an admission of weakness. This would be a correct interpretation, particularly if other policies were such as to create the impression that the controls were simply a process of sitting on the safety valve. In any case the controls would be no more effective against black marketing than prohibition was against bootlegging.

The post-war policy that would do most to maintain confidence in the stability of purchasing power should embrace the following:

1. A moderate budget financed on a cash basis. This would stop credit inflation at its source.
2. Taxation at a level sufficient to cover the budget and to provide for some debt retirement. No country ever had a wild commodity price inflation while its budget was in balance and its debt was being reduced.
3. Repeal of all legislation under which there can be any tinkering with the currency, such as further devaluation of the dollar, the issue of Greenbacks, the dilution of bank reserves, and other inflationary devices.
4. A green light to private enterprise to proceed with civilian production as promptly after the termination of war contracts as reconversion will permit. The early prospect of a reasonably adequate supply of goods will go far to prevent crowding and jostling to get them.

A definite assurance that their liquid savings will not be evaporated by foolish public spending, borrowing, and further credit inflation will make the people much more disposed to walk than run to the exit.

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

$3,000,000

Eversharp, Inc.

4½% Convertible Income Debentures

Dated May 1, 1945 Due May 1, 1965

Price 103% and accrued interest

Copies of the Prospectus may be obtained in any State from such of the several Underwriters, including the undersigned, as may lawfully offer the securities in such State.

LEHMAN BROTHERS

May 25, 1945.

Resistoflex Corporation
Common Stock

Prospectus upon request

HERRICK, WADDELL & CO., INC.
55 LIBERTY STREET, NEW YORK 5, N. Y.

The Securities Salesman's Corner

By JOHN DUTTON

A salesman is like an actor—he puts on several shows each day. When his act is successful his applause consists of an order. There are many little things that can hinder a man's successful accomplishment in the field of salesmanship—especially in such close, personal relationships which must be established in the securities field. In themselves, these small handicaps won't keep a man from making a good living out of selling—but tney can make the way much more difficult.

There are personal mannerisms which may be annoying to others and sometimes those who possess them fail to realize they are even there at all. These are nearly always small things which don't amount to much—but they can cramp your style and kill your act, and you'll never know the reason "why" until some good friend tells you these things. The advertisement that says "even your best friend won't tell you" isn't all fiction.

The reason we are bringing up this subject is that all of us seem to take ourselves for granted after a while. We look at ourselves each morning in the mirror and either we have become so pleased with our own makeup, or so used to it, that we hardly ever see anything but the whiskers we are shaving. It happened to this writer just the other day. An old friend called and while sitting alongside our desk, he said, "John, why in the world don't you get those glasses fixed—or better still get a pair that don't make you look ten years older than Methusaleh." To our own amazement he was right. Those glasses didn't fit—they slipped down when they should have stayed up—whenever the door opened and the wearer of those antiquated specs had to look up from his desk he looked over the top of them instead of through them. A change of glasses has not helped our appearance very much, but they certainly are an improvement over that "old Scrooge look" we used to pull off and never knew it, until a good friend told us so.

Now, none of us are perfect human beings. But it does seem like a good idea to try and eliminate certain little faults in our personalities, mannerisms, or appearance, wherever these annoyances may happen to exist. The best actor, with the best lines, can kill a show if he doesn't have complete control of his vocal chords. Salesmen should polish their role until every annoying handicap which lies in front of them is eliminated.

Possibly it might be a good idea to hold a sales meeting and let everybody have their say regarding the things which are obvious to everyone but themselves. You can't correct these faults unless you know they exist. Few people take enough interest to tell us about such things—or else they don't wish to hurt our feelings. How about the fellows who talk too much (and don't realize it)—or interrupt others before they are finished—or talk too loudly, or too fast. There are the table drummers, the smokers who blow it into your face, and those who lean over and push their physiognomy right up to you when they are telling you something (as if you wouldn't get the point otherwise). Then there are such things as bad posture, slouching, clothes that don't build a man up, hats that are unbecoming, off-color ties, and a hundred and one other little things that can be corrected for the better. They all help to make the selling job easier.

If such a meeting were held in the spirit of mutual helpfulness and good will—with some fun and good-nature thrown in—and the boys really let their hair down and took each other apart in a serious yet constructive and helpful way—a lot of good could come out of it. We don't mean that important failings and traits of character should ever be discussed in sales meetings—that's another subject entirely. We are talking about the glasses that don't fit and the dandruff on the collar—the sort of things "only our best friends will tell us."

We cannot improve our lot in this life—make things better for those we care about—get more satisfaction out of our work—or become better human beings unless we work at the job. Self-improvement is a constant challenge to some human beings—they are the kind who never grow old. They always make a game out of their life—their work—their social and family associations and eyerything they do. That kind of a game is one where the player is always striving to better his score. If you look at it this way, it sort of makes sense to try and improve EVEN THE LITTLE THINGS.

American Fruit Growers Inc., Com.
Arden Farms Co., Pfd. & Com.
Fullerton Oil Co., Com.

Wagenseller & Durst, Inc.
Members Los Angeles Stock Exchange
626 SO. SPRING ST. TRINITY 5761
LOS ANGELES 14
Teletype: LA 68
Market Quotations and Information on all California Securities

Greater New York Fund Goal 40% Subscribed

Business concerns and employee groups have subscribed $2,059,124 toward supporting the work of 408 local hospitals, health and welfare agencies, through the Greater New York Fund, in the first 16 days of its 1945 campaign. This was announced at the first city-wide report meeting of the Fund at the Commodore Hotel.

The following totals of gifts obtained so far by each of the campaign sections for Manhattan, were reported by the section chairman to the Manhattan chairman, Charles J. Stewart, Vice-President of the New York Trust Company, New York, is as follows:

Commerce and Merchandising: reported by William M. Holmes, President of Bonwit Teller, Inc., in the absence of Section Chairman James S. Schoff, President of Bloomingdale, Inc.—$377,749.

Industry: reported by Section Chairman William J. Wardall, Chairman of the board of Best Foods, Inc.—$530,444.

Finance: reported by Section Chairman Harry M. Addinsell, Chairman of the executive committee of the First Boston Corp. —$498,039.

Professional: reported by William E. Robinson, advertising director of the New York Herald Tribune, in the absence of Section Chairman Arthur H. Motley, vice-president of the Crowell-Collier Publishing Company—$101,158.

Public Service and Government Employees reported by Section Chairman Hon. Albert Goldman—$366,000.

Issues Up to $300,000 Without Registration

President Truman signed legislation permitting the Securities and Exchange Commission to exempt any issue of securities up to $300,000 from provisions of the 1933 securities act, according to Associated Press advices from Washington, May 17. As a consequence the SEC has amended its rules to provide that issuers may make public offerings of securities not exceeding $300,000 without filing a registration statement with the Commission.

However, the SEC is continuing its regulations limiting offerings by any person controlling, controlled by, or under common control with the issuer to $100,000, and placed an over-all limitation on such offerings by a person and those by an issuer of $300,000 for any twelve month period. The Commission also amended its regulations to provide that offerings may not be made until the expiration of five days after filing a letter of notification and the literature to be distributed in connection with the offering with the appropriate regional office of the Commission, instead of the 24-hour period previously required.

Bendix Helicopter Capital Stock Offered

Bond & Goodwin, Inc., on May 29 made a public offering of the unsubscribed portion of 1,000,000 shares of capital stock par 50 cents of Bendix Helicopter, inc. The stock is priced at $2 per share. Stockholders were offered previous rights to purchase four additional shares of the stock for each five shares held at $1.60 per share. These rights will expire at 3 p.m. June 4, 1945.

Proceeds from the sale of the shares will provide the corporation with working capital to be used to carry out its program for the acquisition of additional facilities and personnel for continued research and development and the construction of flying production models of helicopters.

Capital and Time Required for Reconversion

(Continued from page 2395)

		Contemplated Peacetime Production	
Industry—	Current Production Per Quarter	Minimum or Breakeven Rate of Production Per Quarter	"All-Out" or Capacity Rate of Production Per Quarter
Fans, electric	17,000,000	1,720,000	2,900,000
Flatware	8,000,000	4,975,000	9,950,000
Flashlight Cases, metal	4,000,000	4,000,000	8,000,000
Furniture, metal household	28,000,000	4,950,000	15,000,000
Furniture, metal office	15,000,000	8,200,000	23,000,000
Furniture, wood	200,000,000	200,000,000	250,000,000
Fishing Tackle & Reels	6,000,000	2,500,000	5,000,000
Lamps, sealed beam	1,200,000	300,000	450,000
Laundry Equip., domestic	106,000,000	14,800,000	52,000,000
Lawn Mowers, hand & power	6,000,000	3,882,000	5,546,000
Photographic Equipment	45,000,000	21,795,000	31,450,000
Pianos	5,000,000	5,600,000	8,000,000
Ranges, electric, domestic	0	4,400,000	11,000,000
Refrigerators, domestic, mech.	141,225,000	30,589,000	93,251,000
Sewing Machines, domestic	16,572,000	2,423,000	7,447,000
Vacuum Cleaners, domestic	52,255,000	8,000,000	12,100,000
Cooking Utensils	7,836,000	4,400,000	8,800,000
Beverage Machinery & Equip.	9,500,000	6,000,000	12,000,000
Commer. & Indus. Refrigeration & Air Cond. Equip.	58,700,000	30,000,000	65,000,000
Sugar Process. Mach. & Equip.	2,600,000	1,000,000	2,000,000
Tobacco Machinery & Equip.	2,200,000	1,000,000	1,500,000
Cast Iron Boilers	10,000,000	3,500,000	4,500,000
Cast Iron Radiators	7,500,000	1,500,000	5,000,000
Cast Ir. Sanitary Enam. Ware	4,000,000	40,000,000	55,000,000
Cast Iron Soil Pipe & Fits.	675,000	6,600,000	11,000,000
Com. Cooking Equip. (not el.)	2,500,000	2,800,000	4,000,000
Com. Dishwashing Machines	1,400,000	1,400,000	1,600,000
Direct Fired Water Heaters (Gas and Oil)	-----	6,950,000	11,575,000
Domes. Cook. & Heat. Stoves	93,000,000	42,200,000	63,300,000
Electric Water Heaters	2,100,000	2,025,000	3,375,000
Extend. Surface Heat. Equip.	10,400,000	3,500,000	5,000,000
Fabricated Piping	10,900,000	6,000,000	11,000,000
Formed Steel Sanitary Ware	30,000,000	5,000,000	25,000,000
Gas Conv. and Ind. Gas Burns.	1,500,000	600,000	1,000,000
Heat. Controls & Heat. Spec.	50,000,000	10,800,000	18,000,000
High Pressure Steel Boilers	7,000,000	900,000	1,750,000
Indirect Water Heaters	-----	1,100,000	1,820,000
Low-Pressure Steel Boilers	8,640,000	1,000,000	2,640,000
Mechanical Stokers	30,000,000	3,450,000	5,750,000
Oil Burners	9,200,000	6,000,000	10,000,000
Plumbing Fixture Fittings & Trim (Plums.' Brass Spec.)	10,500,000	8,750,000	30,000,000
Range Boilers and Hot Water Storage Tanks	3,139,500	3,140,000	5,235.000
Steel Septic Tanks	100,000	225,000	338,000
Vitreous China & Semi-Vitreous or Porc. Plumb. Fix.	17,500,000	8,750,000	17,500,000
Warm Air Distribution Equip.	7,500,000	4,500,000	7,500.000
Warm Air Furnaces	52,500,000	9,000,000	15,000,000
Water Heaters (Coal & Wood)	-----	563,000	938,000
Printing Trades Machinery	63,070,000	24,165,000	39,100,000
Barber & Beauty Appliances	2,500,000	2,780,000	3,480,000
Cash Registers	12,840,000	3,200,000	8,000,000
Floor Machines	18,000,000	1,500,000	1,950,000
Laundry Equipment	10,800,000	8,600,000	10,800,000
Office Machinery	81,725,000	32,000,000	52,500,000
Motion Picture Equip, 35mm	1,323,000	7,200,000	10,230,000
Scales & Balances	6,370,000	4,600,000	6,400,000
Typewriters	17,500,000	12,000,000	30,000,000
Grand Total (In dollars)	3,561,529,000	1,318,261,000	2,507,006,000

Table II.

NEW CONSTRUCTION REQUIREMENTS (IN DOLLARS) NEEDED BEFORE OPERATION CAN START AT THE MINIMUN OR BREAK EVEN RATE AND AT THE "ALL OUT" OR CAPACITY RATE

	New Construction Required (Unit Dollars)	
Industry—	Minimum or Breakeven Rate	"All-Out" or Capacity Rate
Passenger Automobiles	$29,000,000	$200,000,000
Appliances, Small Electric	564,000	643,000
Caskets & Vaults, metal	0	60,000
Clocks & Watches, non-jeweled	85,000	85,000
Fans, electric	15,000	15.000
Flashlight Cases, metal	775,000	775,000
Fishing Tackle & Reels	30,000	50,000
Lamps, sealed beam	50,000	50,000
Laundry Equipment, domestic	200,000	300,000
Pianos	50,000	50,000
Ranges, electric, domestic	0	111,000
Refrigerators, domestic, mechanical	1,929,000	7,855.000
Sewing Machines, domestic	0	400,000
Vacuum cleaners, domestic	120,000	120,000
Cooking utensils	285,000	685.000
Beverage Machinery & Equipment	0	1,000.000
Com. & Ind. Refrig. & Air Cond. Equip.	0	7,000,000
Sugar Processing Machinery & Equip.	0	200.000
Tobacco Machinery & Equipment	0	5,000.000
Cast Iron Sanitary Enameled Ware	1,000,000	1,500,000
Commercial Dishwashing Machines		
Domestic Cooking & Heating Stoves	1,675,000	3,575.000
Electric Water Heaters	0	100,000
Formed Steel Sanitary Ware	250,000	350,000
Gas Conversion and Indus. Gas Burners		
Heating Controls and Heat. Specialties	0	30,000
High Pressure Steel Boilers		
Indirect Water Heaters		
Low-Pressure Steel Boilers	0	300,000
Mechanical Stokers		
Oil Burners		
Plumbing Fixture Fittings & Trim (Plumbers' Brass Specialties)	0	750,000
Range Boilers & Hot Water Stor. Tanks		

Industry—	New Construction Required (Unit Dollars) Minimum or Breakeven Rate	"All-Out" or Capac. Rate
Steel Septic Tanks		
Vitreous China & Semi-Vitreous or Porcelain Plumbing Fixtures	0	2,000,000
Warm Air Distribution Equipment	0	1,000,000
Warm Air Furnaces	0	250,000
Water Heaters (Coal & Wood)		
Barber & Beauty Appliances		
Cash Registers		
Floor Machines		
Laundry Equipment	260,000	350,000
Office Machinery	60,000	60,000
Motion Picture Equipment 35mm		
Scales & Balances		
Typewriters		
Grand Total	$36,348,000	$234,664,000

Table III.

VALUE OF EQUIPMENT AND TOOLS REQUIRED BEFORE OPERATION CAN START AT THE MINIMUM OR BREAKEVEN RATE OF PRODUCTION AND THE "ALL OUT" OR CAPACITY RATE

Industry—	Minimum or Breakeven Rate	"All-Out" or Capacity Rate
Passenger Automobiles	$50,000,000	$150,000,000
Powercycles	25,000	200,000
Appliances, Small Electric	461,000	1,953,000
Band Instruments	100,000	100,000
Bedding Industry	0	0
Bicycles	30,000	210,000
Caskets & Vaults, metal	0	150,000
Clocks & Watches, jeweled	250,000	250,000
Clocks & Watches, non-jeweled	725,000	725,000
Fans, electric	75,000	75,000
Flatware	0	0
Flashlight Cases, metal	175,000	175,000
Furniture, metal household	68,000	68,000
Furniture, metal office	0	0
Furniture, wood	200,000	200,000
Fishing Tackle & Reels	60,000	100,000
Lamps, sealed beam	0	0
Laundry Equipment, domestic	655,000	1,100,000
Lawn Mowers, hand & power	100,000	100,000
Photographic Equipment	0	3,062,000
Pianos	50,000	50,000
Ranges, electric, domestic	250,000	500,000
Refrigerators, domestic, mechanical	4,353,000	13,013,000
Sewing machines, domestic	20,000	225,000
Vacuum cleaners, domestic	68,000	550,000
Cooking utensils	340,000	840,000
Beverage Machinery & Equipment	0	600,000
Commercial & Ind. Refrigeration & Air Conditioning Equipment	0	3,000,000
Sugar Processing Machinery & Equip.	0	100,000
Tobacco Machinery & Equipment	0	200,000
Cast Iron Boilers	not stated	100,000
Cast Iron Radiators	0	100,000
Cast Iron Sanitary Enameled Ware	500,000	1,000,000
Cast Iron Soil Pipe & Fittings	not stated	300,000
Commercial Cooking Equip. (not elec.)	238,000	275,000
Commercial Dishwashing Machines		
Direct Fired Water Heaters (Gas & Oil)		
Domestic Cooking & Heating Stoves	2,509,000	3,550,000
Electric Water Heaters	0	200,000
Extended Surface Heating Equipment	100	100,000
Fabricated Piping	0	0
Formed Steel Sanitary Ware		750,000
Gas Conversion & Indu. Gas Burners	0	0
Heating Controls & Heating Specialties	0	125,000
High Pressure Steel Boilers	0	250,000
Indirect Water Heaters	0	0
Low-Presure Steel Boilers	0	50,000
Mechanical Stokers	0	0
Oil Burners	180,000	300,000
Plumbing Fixtures Fittings & Trim (Plumbers' Brass Specialties)	0	600,000
Range Boilers & Hot Water Stor. Tanks	0	0
Steel Septic Tanks	0	0
Vitreous China & Semi-Vitreous or Porcelain Plumbing Fixtures	0	1,300,000
Warm Air Distribution Equipment	0	250,000
Warm Air Furnaces	0	250,000
Water Heaters (Coal & Wood)		
Printing Trades Machinery	0	2,000,000
Barber & Beauty Appliances		
Cash Registers		
Floor Machines	150,000	285,000
Laundry Equipment		
Office Machinery		
Motion Picture Equipment 35mm		
Scales & Balances		
Typewriters	150,000	285,000
Sub-Total	$61,582,000	$189,331,000

Table IV.

RECONVERSION TIME REQUIRED

Lapse of Time Between Cancellation of Military Contracts and Beginning of Operations at the Rate Indicated

Industry—	Reconversion Time Req. (unit — months) Min. or Breakeven Rate	"All Out" or Capac. Rate
Automotive	8	15
Construction Machinery Div.		
Allied Tractor Equipment	0	0
Bituminous Equipment	0	0
Concrete Equipment and Centrifugal Pumps	0	0
Crushing Equipment	0	0
Graders	0	0
Misc. Construction Machinery	0	0
Power Cranes & Shovels	0	0
Road Rollers	0	0
Tracklaying Tractors	0	0
Consumers Durable Goods Division		
Domestic Sewing Machines	6	9
Domestic Electric Ranges	5	9
Non-Jeweled Clocks and Watches	7	7
Metal Flashlight Cases	0	0
Mechanical Refrigerators	6	12
Domestic Laundry Equipment	4	6
Electric Fans	3	4
Photographic Equipment	0	4.5
Metal Office Furniture	3	3
Flatware	3	3
Jeweled Clocks and Watches	12	12
Domestic Vacuum Cleaners	3	4
Sealed Beam Lamps	4	6
Small Electric Appliances	3	3
Lawn Mowers, hand and power	3.5	3.5
Wood Furniture	0	6
Metal Household Furniture	2	2
Fishing Tackle and Reels	3	6
Metal Caskets and Vaults	3	3
Bedding Industry	3	3
Band Instruments	6.5	6.5
Bicycles	0	5
Pianos	7	7
General Industrial Equipment		
531 Commercial & Ind. Refrig. and Air Conditioning Equipment	3	9
Beverage Mach. and Equipment	7	9
Tobacco Mach. and equipment	7	9
Sugar Process, Mach. and equipment	7	9
Plumbing and Heating Division		
Cast Iron Boilers	0	3
Cast Iron Radiators	0	3
Cast Iron Sanitary Enameled Ware	2	3
Cast Iron Soil Pipe and Fittings	0	0
Commercial Cooking Equip. (not Elec.)	2	3
Commercial Dishwashing Machines	2	2
Direct Fired Water Heaters (Gas and Oil)	0	0
Domestic Cooking and Heating Stoves	2	5
Electric Water Heaters	1	2
Extended Surface Heating Equipment	0	0
Fabricated Piping	0	0
Formed Steel Sanitary Ware	2	2
Gas Conversion and Industrial Gas Burners	0	2
Heating Controls and Heating Specialties	0	3
High Pressure Steel Boilers	0	0
Indirect Water Heaters	0	0
Low-Pressure Steel Boilers	0	3
Mechanical Stokers	0	2
Oil Burners	2	3
Plumbing Fixture Fittings and Trim (Plumbers Brass Spec.)	0	1
Range Boilers and Hot Water Storage Tanks	0	0
Steel Septic Tanks	0	1
Vitreous China and Semi-Vitreous or Porcelain Plumbing Fixtures	0	0
Warm Air Distribution Equipment	0	0
Warm Air Furnaces	0	1
Water Heaters (Coal and Wood)	0	0
Printing and Publishing Division		
Printing Trades Mach.	6	8
Service Equipment		
Barber and Beauty Appliances	1	1
Cash Registers	2	4
Floor Machines	2	3
Laundry Equipment	3	3
Office Machinery	--	3
Motion Picture Equipment	0	0
Scales and Balances	0	0
Typewriters	1	3

Adams and Fleming N. Y. Exchange Govs.

Emil Schram, President of the New York Stock Exchange, on May 24 announced the re-election of John Q. Adams of Chicago and Robert V. Fleming of Washington, D. C., for the term of one year, as public Governors.

Mr. Adams is a Director of the Continental Illinois National Bank and Trust Company of Chicago and Mr. Fleming is President and Chairman of the Board of the Riggs National Bank of Washington.

Raymond Sprague was re-elected Vice Chairman of the Board of Governors at the organization meeting of the Board, which followed the annual election on Monday of last week.

John Rutherford, it was reported to the Board, has been re-elected Chairman of the Gratuity Fund and William D. Scholle of Scholle Brothers Secretary and Treasurer.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of George P. Smith to De Forest Lyon will be considered on June 7th. Mr. Lyon will continue as a partner of Smith & Gallatin.

Robert C. L. Timpson, general partner in W. E. Hutton & Co. became a limited partner as of April 1st.

Thomas W. Phelps, general and limited partner in Francis I. du Pont & Co., as of today became a limited partner as Trustee under Deed of Trust dated May 22, 1945. Wheadon M. Grant, general partner, also today became a limited partner as trustee under Deed of Trust dated May 21, 1945.

Henry L. Rosenfeld, Jr., partner in Salomon Bros. & Hutzler, died on April 19th in the service of his country. His interest in the firm ceased as of that date.

James H. Wynn, partner in J. W. Sparks & Co., died on May 18th.

Charles F. Haley, partner in Thomson & McKinnon, died on May 14th.

This announcement is not to be construed as an offer to sell or as an offer to buy the securities herein mentioned. The offering is made only by the prospectus.

79,773 Shares

Hewitt Rubber Corporation

Common Stock

$5 Par Value

Price $23.50 per Share

Copies of the prospectus may be obtained from the undersigned only in states in which the undersigned is qualified to act as a dealer in securities and in which the prospectus may legally be distributed.

F. EBERSTADT & CO.

May 25, 1945.

The Prospects of Inflation

(Continued from first page)

been available. It is huge because these millions of people today have vast resources with which to buy, and thus to make their demand effective.

Small supply and huge genuine demand exert strong pressure to push the price level higher. However, pressure to raise prices due to such conditions tends to satisfy itself automatically. In the first place, supply will be augmented considerably and rapidly as the war comes to a close, and thus one potent reason for higher prices will be removed. In the second place, as more and more people are able to buy the articles they need, the strong genuine demand will be alleviated, and thus another powerful pressure to raise prices will be removed. In the third place, as these people spend their accumulated funds for goods, the backlog of purchasing power built up during the war years will probably decline, thus easing another pressure for higher prices, by reducing the purchasing power that makes demand effective. In the fourth place, should prices rise this factor alone tends to increase the supply by attracting more production on the prospect of higher profits and wages, and at the same time this very factor of rising prices tends to reduce genuine demand, for as prices rise fewer people are willing or able to buy.

It seems likely, moreover, that rationing and price controls will be continued at least into the immediate post-war period, thus artificially limiting effective demand until supply can be brought more nearly into balance with demand. These artificial measures should prove quite helpful in at least holding general price rises in check until the natural forces can automatically become effective to balance supply and demand. The measure of this helpfulness will, of course, depend considerably upon the length of time that elapses before civilian goods can again be produced on a large scale.

Economic history is full of periods in which genuine demand has increased more than supply has increased, with a consequent rise in prices, but also with a subsequent decline as the supply increased, or the demand decreased. Even should a sharp rise in prices develop after the war, or for that matter before the war is over, the dislocation in the price level will tend to be self-liquidating if it is due to an inadequate supply and a demand that is due to a genuine need for goods. As under similar circumstances in the past, prices will tend to recede again as soon as, and to the degree that civilian goods are produced in volume to satisfy the need.

Disastrous Inflation Due to Loss of Confidence in Monetary Stability

For the reason that inflation of prices due to such circumstances, including a genuine demand, tends to be self-correcting, our attention should be directed to the possibility of an inflation of prices that is self-propelling rather than self-liquidating. Such an inflation may result from a demand that is based, not upon a real need for goods but rather upon a feeling on the part of the people that the money they own is declining in value or will decline in value. Such a feeling is coupled with a fear on the part of the people that their money will in the future be worth less in terms of commodities than it is worth at present. Such a fear gives rise to a desire to buy commodities now before the money one has to spend declines in value, in terms of the commodities it will buy. The more widespread such fear becomes, the more widespread becomes the feeling that money should be exchanged for commodities. This feeling, of course, gives rise to a demand for goods. This demand may indeed be artificial, in that it is the result, not of a genuine need for commodities but rather of a fear that causes people to prefer to own commodities rather than money.

Artificial though such a demand might be, it is nonetheless effective in causing prices to rise. In fact, such a demand tends to cause a more drastic and considerable inflation of prices than does any genuine demand, for the reason that there is no self-liquidating tendency to cause such a price increase to correct itself. As prices rise due to such circumstances, people conclude that their fears of declining value of their money are being proven. As a result the feeling becomes more widespread that money should be converted into something tangible. Thus, further demand is created, and though artificial, it pushes prices up still further. As a result more people conclude that they had better not hold on to their money longer, and they, too, join the procession. Thus a vicious cycle is under way which, instead of correcting itself, propels itself and constantly gains ever greater momentum.

Moreover, an increase in the supply of goods cannot assuage such a demand because the people want commodities, not for normal purposes but to use them as a refuge against the higher prices they fear. Furthermore, at some stage in this devastating cycle the economy becomes so unbalanced, and costs of production so unpredictable, that it is likely that production, and therefore the supply of goods actually declines.

As this cycle progresses, efforts to allay the fears that started it must be ever more determined if they are to be successful. The further along in the cycle the nation goes, the more difficult it is to avoid the disaster of completely runaway prices. A mere suspicion of declining value of money can finally grow into a mastodon of inflation. National policies that gave rise to such suspicion, if continued, feed the embryo of suspicion, and when fear grows beyond the embryo stage it feeds itself.

The rapidity with which such an inflation can become completely disastrous is vividly demonstrated by the course of events in Greece only last year. Before the war approximately 1,000 drachmas would buy as much in commodities as one Greek gold sovereign would buy. In August, 1944, it took 3,000,000,000 drachmas to equal one gold sovereign. By the middle of September, only one month later, the value of the drachma had declined so that it took 30,000,000,000 to buy as much in commodities as one gold sovereign would buy. But in early November, little more than another month later, it took 20,000,000,000,000. By that time the drachma was worthless. The Greek government issued a new drachma, backed by gold held abroad and by foreign exchange, and one new drachma was issued in exchange for 50,000,000,000 of the old. It is too early to tell if inflation in Greece has run its full course.

Thus this type of inflation is a disease that must be treated in its early stages if it is to be overcome. Few students of economics will deny that we in the United States have been exposed to the disease. Many will, in fact, agree that the germ is at work in our economy. Many will also agree that conditions are ripe for the germ to multiply into dangerous proportions. None of us knows whether we shall succcumb to the disease. The decision on that point rests with the people, in the form of the national fiscal policies they permit or encourage their Government to follow.

What Inspires or Destroys Confidence?

As already indicated, this type of inflation has its origin in a fear on the part of the people that the money they have and use will deteriorate in value. This fear stems from a lack of confidence in the stability of the purchasing power of the monetary unit. This lack of confidence in turn is due largely to a lack of confidence in the ability, or willingness, of the national government so to conduct its fiscal affairs as to protect the soundness of its monetary system.

This confidence, of necessity, rests upon many conditions. Whether or not an individual has confidence in his government's fiscal policies and in the soundness of the monetary system depends entirely upon the thinking of the individual himself. Being confident is simply a state of mind, whether it involve monetary matters or any other question. A state of mind necessarily depends upon the process of thinking of the individual, the importance he places upon this and that, and the ultimate conclusion he reaches in his own mind.

Yet we know that certain national fiscal policies tend to engender confidence in the mind of the individual citizen, in the soundness and stability of the monetary system. And we know that certain practices tend to weaken, or destroy that confidence. Policies which decrease the gold backing of the monetary system tend to weaken confidence in the stability of that system, for whenever monetary instability is feared, the individual seeks assurance, and finds confidence, in gold. Policies that increase the gold backing of the monetary system, tend to engender confidence. Policies that result in continued borrowing to meet expenditures tend to weaken confidence, while the practice of making income and expenses balance, inspires confidence, especially when it results also in reducing debt. Our current fiscal policies are decreasing the gold backing of our monetary system. Moreover, our Federal Government has borrowed money to meet its expenditures in each of the past fourteen years, in each year since 1931, and it will probably have to borrow to balance its budget for the next two, three or several more years.

Confidence rests not so much upon existing circumstances, as upon expected circumstances. A borrower who is in the process of improving his fiscal position can inspire at least some confidence as he shows improvement in his condition. But a borrower, regardless of his present position, who is constantly impairing his fiscal condition, loses more and more confidence as he goes down the road toward bankruptcy. Moreover, the traveler on both roads, upward toward solvency or downward toward insolvency, gains momentum as he travels. But the downhill road especially grows steeper and the traveler down it especially gains speed. Just where we are, as a nation, depends upon the people themselves, and upon the regard, or degree of regard, in which they hold the fiscal policies of their government.

Gold Reserves Declining

As just stated, our current national policies are decreasing the gold backing of our monetary system. One reason for this decline in gold backing is the financing of governmental deficits by borrowing from banks. As the Government borrows from the banks, the banking system as a whole simply writes up its investments in U. S. securities and writes up deposits, first possibly by crediting the account of the Government, which credit, when spent to Tom, Dick and Harry, soon becomes deposits of the people generally. In the period between June 30, 1934, and Dec. 31, 1944, holdings of U. S. Government securities by the banks in the country, increased by $74,500,000,000, and total deposits increased some $95,000,000,000.

Now the member banks of the Federal Reserve System are required to keep certain percentages of their deposits in the form of cash balances with the Federal Reserve banks. Obviously as the deposits of the member banks rise, these required reserve balances must rise. As of May 23, 1945, these reserve balances totaled $15,117,000,000, which amount is more than double the balances of seven years previous, and which compares with total reserve balances of $4,096,000,000 on Dec. 31, 1934. Now against these reserve balances which are on deposit with the Federal Reserve banks, these banks have, in turn, been required to maintain reserves in gold certificates or other lawful money equal to at least 35% of such balances. However, no new gold has been added to the system in this process, wherein the banks buy Government securities, write up investments, write up deposits and increase their cash reserve balances. Hence, as this process continues, the same amount of gold must be stretched to cover increasing reserve balances, and thus the percentage of such balances backed by gold decreases.

Another direct reason for the decline in the gold backing of our monetary system is the continued issuance by the Federal Reserve banks of ever increasing amounts of Federal Reserve Notes. The continued increase in the amount of these notes outstanding is due to two circumstances, first, the policy just mentioned of financing deficits by means of the banking system increasing its purchases of Government securities, and second, the vastly growing amount of money in circulation. In the first place, as outlined above, when the banks of the country buy Government securities, deposits rise and it is necessary to carry more reserves in cash with the Federal Reserve banks. But, in this process of writing up investments and deposits, no new cash is created. Hence, long ago all the excess cash in the banking system had already been used to meet the increasing requirements for cash reserve balances. Hence, long ago the Federal Reserve banks found it necessary to provide the banking system with additional cash. This was provided through purchases by such banks in the open market of U. S. Government securities. Payment for such purchases is made with Federal Reserve Notes, which is the cash needed, or with credits to the reserve balances of member banks, which directly meets the requirements.

However, these credits to reserve balances merely increase the amount of deposit liabilities of the Federal Reserve banks, which, as previously stated, must carry reserves in gold certificates or other lawful money equal to 35% of such reserve deposit liabilities. Since no new gold is provided in this process, the amount available is simply stretched thinner. Moreover, the Reserve banks have been required to keep a reserve in gold certificates of at least 40% of the amount of Federal Reserve Notes outstanding. But, again, in the process of buying Government securities and paying for them with such notes, there is no gold added to the system. Hence the amount of notes increases, the amount of gold does not increase and the gold backing for those notes declines as it is made to stretch further to serve as backing for ever more notes.

In the second place, as money in circulation increases, cash is withdrawn from the banking system which otherwise could be used as the cash which the member banks need to provide as reserves against their deposits. As this cash is withdrawn into circulation, since the cash position of the banking system is already tight, the Federal Reserve banks again find it necessary to buy securities in the open market and provide the necessary cash, in the form of additional Federal Reserve Notes, or credits to member banks reserve balances. The result is the same as above, in that the liabilities of the Reserve banks are increased further, no new gold is provided and therefore the gold backing is stretched further.

Money in circulation has increased tremendously in the past few years. On May 23, 1945, the total was $26,399,000,000, compared with $8,732,000,000 at the beginning of 1941. For reasons outlined above, the Federal Reserve banks have purchased vast amounts of Government securities in the past few years in order to pump cash into a strained monetary system, strained because its cash was not sufficient to meet the demands for cash reserves caused by huge increases in bank deposits, nor to meet the demands for constantly increasing withdrawals of money into circulation. Total holdings of such Government securities amounted to $20,929,143,000 on May 23, 1945, compared with only $2,184,000,000 on Dec. 3, 1941.

In the meantime, while the above factors were at work to dilute the gold backing of our monetary system, the total monetary gold of the system had declined in actual amount, thus further reducing the gold reserves. As of May 23, 1945, the total monetary gold stock was $20,271,000,000, a new low since July 31, 1940, and a decline of $2,525,000,000 since Oct. 29, 1941. The gradual but steady decline has been due largely to withdrawals by foreigners.

All of these factors, including financing of deficits through purchases of Government securities by the banks, and ever growing money in circulation, are vividly reflected in the fact that the ratio of gold held against combined Federal Reserve note and reserve deposit liabilities has declined steadily from 91% of such combined liabilities in 1941 to 45.9% on May 23, 1945. At this figure, the ratio is at a new low since March 8, 1933, the week of the bank holiday, when the ratio was 45.6%.

Gold Reserves Will Probably Continue to Decline

The same circumstances which have resulted in this decline in the gold-backing of our monetary system are like to continue. If the Government continues to operate on a deficit, the banks will certainly increase further their holdings of Government securities, thus increasing bank deposits further, thus increasing required cash reserve balances further and thus, unless other circumstances intervene, making it necessary to stretch the gold still further. But even if the Government balances its budget, the banks may very likely still increase their holdings of Governments further, with all the same unfavorable results. Despite commendable efforts made since 1942 to finance deficits by sales of Government securities to non-bank purchasers, the banks of the country still added $60,000,000,000 of such securities to their portfolios between Dec. 31, 1941 and December 31, 1944. It is likely that when the war is won, the purchases of such securities by non-bank buyers will decline in percentages of total sales as well as in actual amount. Moreover, it is likely that the banks will be called upon after the war to buy substantial amounts of Government securities in order to provide the funds which the Government will probably need to redeem series E, F and G bonds which the individual citizens may very likely want to redeem in order to make long-deferred purchasers.

Furthermore, money in circulation will probably rise further before the end of the war. The amount in circulation has been rising at the rate of about $5,000,000,000 per year for the past three years. It is possible that a considerable portion of the total now in circulation may return to the banking system to provide much-needed cash when the inflated tempo of wartime employment and payrolls decline. Until such time, however, the monetary system will probably be further strained by additional large increases in money in circulation, and there is little or no assurance that a reversal of the trend of the past few years will be of large proportions even after the war is won.

Finally, further gold may actually be withdrawn from our gold reserves by foreigners. As of September, 1944, as reported by the Department of Commerce, foreigners owned short-term balances in this country totaling over $6,000,000,000. Whether a large part of these balances will be withdrawn from the United States will largely depend, among other things, upon the confidence which foreigners who own these balances have in the stability of our monetary system. In the three-year period between December, 1938 and December, 1941, when much of the rest of the world was at war, or faced with threats of war, our gold reserves increased $8,225,000,000, from $14,512,000,000 to $22,737,000,000, according to a report of the League of Nations on international gold movements. With the return of peace to the world, a large part of these funds may no longer seek refuge and safety in this country, certainly if our fiscal policies are such as to weaken confidence in our monetary stability. Some talk is heard that gold will again start coming to this country in large volume when the war is over and the world begins to buy huge amounts of goods from us. The facts seem to be, however, that those countries which need our products most are not those countries which have gold with which to pay for such products and the countries which do have the gold are not the ones which will need our goods. In fact, there is considerable talk, and even definite suggestion, for example in the Bretton Woods proposals, that we should furnish the large part of the gold to enable other countries to buy goods. It comes as a surprise to many people to realize that, as shown by recent reports of the Department of Commerce, the United States is no longer "the world's greatest creditor nation," is not a creditor nation at all, and, in fact, foreign credits in this country exceed our credits abroad. Whether foreigners will call upon us to pay credits due them, and whether our gold reserves will decline further as a result of such payments, depends, among other things, upon the confidence which foreigners have in the soundness and stability of our monetary system.

If the gold backing of the system continues to decline, there are several measures which the Government can legally take to ease the situation. In the first place, the percentages of deposits which the member banks of the nation are required to keep in cash reserves can legally be reduced, thus reducing the amount of reserve balances with the Federal Reserve banks. In the second place, the percentages which the Reserve banks are required to keep in gold against these reserve balances and against Federal Reserve notes can legally be reduced, thus permitting the Reserve banks to buy larger amounts of Government securities and pump larger amounts of Federal Reserve notes into the system. In the third place, the Treasury can transfer some $1,800,000,000 which it is reported to have in gold in the Stabiliation Fund to the Federal Reserve banks to serve as gold reserve. In the fourth place, the Reserve banks can issue Federal Reserve Bank notes which need not have any gold backing.

Managed Paper Money

Finally, the Government can legally abolish entirely any requirement for any gold backing and provide the country with a solely paper money system. Should we come to such an end, the Federal Reserve System could purchase any amount of Government securities, either in the open market or direct from the Treasury, paying for them with notes, or anything that may be designated legal tender, which will have no backing whatsoever except the Government securities, or promise to pay, which may be taken in exchange for such notes. The difference between such a practice and the direct issuance by the Treasury of a fiat paper money would only be a fiction.

There is probably some justification for wondering if we in the United States are not being led toward a managed paper-money system. Such a system, with no gold backing at all, could be successfully managed without dire inflationary results, provided the people maintain confidence in the stability of the system. Yet, in the case of paper money, this confidence rests ever precariously upon confidence in the managers of the system and the fiscal policies of the Government. The stability of such a system is ever subject to the vagaries of mass psychology, for the simple but compelling reason that a deterioration in the confidence of the people in the policies of the managers of their paper money would spread like a prairie fire. As is amply demonstrated by our own economic history of the past two decades, the policies of the managers of a monetary system that has a considerable backing in gold can undergo considerable question and criticism before confidence in the system itself is lost. In the cast of a managed paper money, confidence in the managers is almost synonymous with confidence in the whole monetary system. In the case of a system with a substantial gold backing, confidence in the officials of such a system can wane without **at once** being reflected in a loss of confidence in the system itself.

In other words, as one step after another is taken to reduce the gold backing of the monetary system, as month after month we approach the equivalent of paper money backed only by Government promises to pay, the situation becomes ever more explosive. An inflation due to a lack of confidence in the soundness of the monetary unit would be all the more disastrous at the present time, or in the next few years, because the people of this country have accumulated a tremendous purchasing power in the form of vastly inflated money in circulation, bank deposits and investments. Should the people lose confidence in the stability of the dollars which represent that purchasing power, the artificial demand that would be created by a desire to exchange that purchasing power into commodities would probably know no bounds.

This purchasing power already is secured largely by Government promises to pay, with the probability that the security will rest ever more on such promises and less on gold. As of June 30, 1944, 55% of the total assets of the FDIC insured commercial banks of the country consisted of Government promises to pay, compared with 24% on June 30, 1934. This percentage has gone higher since June, 1944, and will continue to increase. On May 23, 1945, 49.9% of the total assets of the 12 Federal Reserve banks consisted of Government promises to pay, compared with only 9% on Dec. 31, 1941. This percentage, too, will probably increase further. A great portion of the investments of the people themselves is Government securities—promises to pay. Finally, the assets of life insurance companies, mutual savings banks, building and loan associations and similar institutions are concentrated in ever-increasing degrees in the promises to pay of the same debtor.

Thus in all these ways gold is ever becoming less security for our monetary system, our banking system and our purchasing power, and at the same time the Government's promise to pay is substituted for gold as security.

Effects of Continued Deficit Financing

As this trend of developments brings us ever closer to a paper-money system, without gold backing, the confidence of the people rests ever less on the declining gold backing, and ever more precariously upon the policies of the managers of our paper money. Thus it becomes increasingly important that these policies be such as to inspire, or at least maintain confidence, rather than weaken or destroy it. As stated previously, a policy of continued borrowing to meet expenditures tends to weaken confidence, and this tendency to weaken confidence is considerably accelerated when the gold reserves of the monetary system are declining at the same time.

For 14 consecutive years our Federal Government has borrowed to meet its expenditures. The deficits in these years have been (as reported by the Tax Foundation in an interesting booklet entitled "Facts and Figures on Government Finance") $462,000,000 in 1931, $2,529,000,000 in 1932, $1,784,000,000 in 1933, $2,886,000,000 in 1934, $3,209,000,000 in 1935, $4,550,000,000 in 1936, $3,148,000,000 in 1937, $1,384,000,000 in 1938, $3,542,000,000 in 1939, $3,611,000,000 in 1940, $5,104,000,000 in 1941, $19.598,000,000 in 1942, $56,117,000,000 in 1943 and $55,305,000,000 in 1944. The deterioration of the soundness of the monetary system wrought by financing these deficits, has already been recounted. The continuous aspect of these deficits in itself, has quite logically already caused some anxiety in the minds of some people. But this loss of confidence in the soundness and stability of the monetary system will be nothing compared with the loss that will develop if these deficits continue after the war.

Having less and less assurance in gold backing, the individual will look more and more anxiously to the policies of the Government for reassurance in those policies for his hope that his monetary unit will be kept stable and sound in the years to come. He will find reassurance if those policies include a balanced budget. But if those policies result in continued deficits, he not only will not find that reassurance he seeks, but he will in fact, grow even more anxious. This anxiety will increase because he realizes that the continued deficits will bring further deterioration in the soundness of the monetary system, and because the failure of the Government to balance its income and expenditures at such a crucial time indicates that the other fiscal policies of the Government will not likely be strong enough to cope with even an incipient inflation.

Thus, continued deficits in the post-war period will serve in a four-fold manner to contribute to a decline of confidence in the stability of the monetary unit, and therefore to contribute to an inflation that could be disastrous. In the first place, these deficits would strain the monetary system further and dilute its gold backing further. In the second place, deficits, per se, tend to weaken confidence, especially when they are continuous—and they have been already for 15 consecutive years. In the third place, the failure of the Government to balance its budget, especially after so long a period, would weaken confidence in all other fiscal policies of the Government, at the very time the people would be examining these other policies with ever more anxiety and doubt. In the fourth place, confidence in the Government's credit underlies not merely the monetary system of the nation, but the entire economy. It is not sufficient that the people have confidence in the Government's promise to pay, according to the letter of the promise, in so many dollars. In addition there must be confidence in the ability and willingness of the Government to pay in sound dollars of approximately the same purchasing power. Continued deficits belie both the ability and the willingness to pay thus in sound dollars.

Further Straining of Monetary System

The monetary system will probably be further strained after the war by the likely necessity of having to sell Government securities to banks in order to provide funds to pay war bonds redeemed in post-war years. This strain, with its further dilution of gold backing, will be sufficient, without adding the further load of selling additional Government securities to banks in order to finance a deficit. Moreover, the Government will, for years, be faced with the problem of borrowing huge sums constantly in order to refund the heavy short-term maturities that will fall due during each year. It is imperative that the burden of taking these refunding securities not fall excessively upon the banking system, for if it should, the strain on the monetary system will be increased further. During the calendar year of 1944, the Government actually borrowed $130,367,000,000, including money borrowed to pay maturing obligations. With such tremendous short-term, almost floating debt liabilities, it is, again, imperative that confidence be maintained, and that the debt not be allowed to concentrate too heavily in the banking system alone.

Furthermore, it seems that the Treasury Department has adopted the policy of putting an ever larger proportion of the total Government debt in short-term liabilities. The theory behind such a policy is apparently to reduce the interest cost on the debt, since short-term obligations require a lower rate of interest, and, in case of a rise in money rates, to let the Government pay the higher rates of interest when refunding the maturities rather than to let the purchasers of longer term obligations suffer from a decline in the market value of such securities. Such a theory may work satisfactorily if the Government can continue to enjoy the confidence of the people. But if this confidence is not maintained, it will become increasingly necessary for the Treasury to rely, even for the sale of its refunding obligations, upon the banking system of the country, or possibly even upon the Federal Reserve Banks, with all the strain on the monetary system that such reliance would bring. If confidence should wane to the extent that the Treasury need turn to the banks, that act in itself would tend to alienate even more confidence, which in turn would drive the Treasury even more to the banks, thus creating a most undesirable cycle. Finally, the mere fact that any borrower has such tremendous short-term, current liabilities, in itself tends to cause anxiety and wonder, which can well be the forerunner of waning confidence.

Thus, the Government is likely

(Continued on page 2412)

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Copies of the Prospectus may be obtained from the undersigned:

Blyth & Co., Inc.

May 29, 1945

The Prospects of Inflation

(Continued from page 2411)

to find itself relying quite heavily upon further bank purchases of its securities after the war, even without borrowing new money to finance deficits. And, thus, it is imperative that we avoid straining the monetary system further by deficit financing.

Balancing Post-War Budgets Will Be Difficult

Admittedly, balancing the budget will be no simple task. But the very danger that it will not be balanced for some years after the war is precisely the very danger of a disastrous inflation of prices that confronts us.

Obviously, whether the budget is balanced depends upon how high expenditures will be and how high income will be. The problem, then, is to reduce expenditures to the bone and keep high the income, both of the Government and of the taxpayers, who must enjoy prosperous business conditions if their income is to be sufficiently high to permit the Government's income to be high.

Consider first the matter of expenditures. It is certain that they will be vastly higher than was ever even envisaged in pre-war years. Estimates range from $15,000,000,000 to $25,000,000,000. The staggering size of such figures is shown by a comparison with the average total Federal expenses of some $6,000,000,000 per year in the 1930-39 decade. Mr. Randolph Paul, former special counsel in the Treasury Department, has predicted that post-war expenditures will run between $20,000,000,000 and $25,000,000,000 annually, with the actual figure more likely to be closer to $25,000,000,000.

It is difficult to predict with any degree of accuracy what will be the required expenses of the Government, much less to predict the substantial other expenses which the administration then in power will want, or will be called upon to make. The figure generally mentioned for interest alone on the national debt is $6,000,000,000, with no allowance for a debt of over $300,000,000,000, nor an average rate of interest of over 2%. Expenses of maintaining large military and naval establishments are of necessity indefinite, but most certain to be much larger than in any previous peace time year. Expenses of maintaining the usual governmental functions will be higher, in accordance with the constant upward trend in such costs. Veterans expenses, while quite indefinite in amount, are definitely certain to be enormous. No one can foretell the ultimate expense of the recently enacted "G. I. Bill of Rights." Then there will be considerable expense in maintaining an army of occupation in Germany or Japan. Further, there are likely to be considerable expenditures in feeding and otherwise attempting to care for millions of people outside our own boundaries. All of these expenses are to say nothing of the cost of further and possibly even broader social experimentations here at home, that some people are even suggesting be applied on a world-wide scope—at the expense of the American people.

Nor do these items include any consideration of any amount to be spent in cutting down the national debt. It is imperative, in the interest of maintaining confidence in the Government credit and in monetary stabiltiy, that some provision be made for retiring this debt, even though the retirement be only quite gradual. Yet even ever so gradual a retirement must, of course, follow a balancing of the budget, and if it be important to retire the debt, how much more important it is to balance the budget, since that act must precede any retirement of debt!

In view of the tremendous expenditures that will be actually required in the post-war years, it would seem that the only sound manner in which to handle our fiscal affairs is to eliminate even consideration of any expenses that are not absolutely necessary. If conditions turn out to be such that we find we can afford more than this bare minimum of expense, which certainly will be quite high enough judged by all previous standards, then perhaps it might be possible to consider some of the more luxury expense. It would seem that if we obligate ourselves now to pay much of the expense suggested today in the form of vastly expanded "social security," guaranteed employment, billions in grants or "loans" to foreign countries, etc., ad infinitum, there will be no chance of balancing the budget, nor of avoiding a disastrous inflation.

Balanced Budget Will Require Full Employment

Even if expenditures are held down to the minimum, to meet them it will be necessary to collect taxes in amounts that, in terms of peacetime conceptions, will still be tremendous. Even this minimum of taxes will be so great that, in order to collect the amount needed, we *must* have a healthy, active economy with full employment. For example, total Federal tax collections in the depression year of 1932 were $1,788,000,000, and in 1933, were $1,785,000,000 (as reported by "The Tax Foundation" in "Facts and Figures on Government Finance"). Compare these tax collections for depression years with proposed Federal expenditures in the post-war years of close to $25,000,000,000 per year. Most certainly no such post-war budget could be balanced if we experience a depression of even close to the magnitude of 1932-33. In 1941, according to the same source, total Federal tax collections for the fiscal year, including employment and payroll taxes, amounted to $7,671,000,000. Now 1941 was considered a rather prosperous year, yet Federal tax collections in that year were only about one-third of the amount of indicated post-war Federal expenditures, not including the fanciful expenses for "guaranteed employment," supporting the Bretton Woods monetary plan, raising the standard of living of the world, etc., ad infinitum.

The desired receipts cannot be wrung from a depressed economy simply by raising tax rates or levying new taxes. Taxes of any worthwhile proportions tend to stifle business activity and production, and thus to increase unemployment, and thus to aggrevate the entire situation. Taxes must be bearable and stifling, and a healthy, properous economy can bear heavier tax rates without being stifled, than can a depressed economy. Thus, if unemployment and depression be our lot in the post war period, not only will normal tax rates not provide the amount of income necessary to balance the budget, but such rates, since they must necessarily be high in view of a high level of even minimum expenditures, will very likely be so onerous that they will depress an unhealthy economy even lower, and thus make even more difficult the balancing of the budget. The result will be the same if expenditures are so high that tax rates are too high even for a prosperous economy to carry.

The end of deficit financing, then, and the end of its strain on the soundness and stability of the monetary system, and the end of the damage to confidence wrought by this strain and by continued deficits, per se, depend not only upon cutting Federal expenditures to the bare minimum in post war years, but also upon a healthy, active economy that will provide the employment necessary to prosperity. It behooves us all, therefore, to take those steps that make for business expansion, which means jobs and full employment, and to refrain from those steps that make for business contraction, which means unemployment, depression, deficits and increasing dangers of inflation.

Some Prerequisites to Full Employment

To that end, it is well to consider some of the conditions conducive to business expansion or contraction. Business expands in the hope of making a profit. It contracts in the hope of avoiding a loss. Perhaps the first step in a program of understanding what makes jobs is to disabuse our minds of the idea that there is something unholy about making a profit. It is good, healthy and desirable that business make profits. Only as business profits does it make jobs. Making money and making jobs go hand in hand. Jobs and full employment being what we want, and most certainly need, we should do what we can to create them.

Now if the small business man sees a chance to make a profit, and has sufficient confidence that he can overcome the risks, make the profit and keep enough of it to make it worthwhile to undertake the risks, he engages in some new activity, thus providing work for himself, and, depending upon the size of the project, for a number of other people. If the big business executive sees a chance to make a profit and has sufficient confidence that his organization can overcome the risks, make the profit and keep enough of it to make it worthwhile to undertake the risks, he instructs his organization to engage in the new activity, thus providing work for others, and, depending upon the size of the project, for possibly even a few thousand people.

On the other hand, if the small business man should see a chance to make a profit, but concludes that the possible profit is not sufficiently large to compensate for the additional worry of possible labor troubles and satisfying additional governmental restrictions and regulations, nor sufficiently large to premit him, after paying a heavy tax, to keep enough to make it worthwhile to undertake the risks, he does not engage in the possible new activity and thus does not provide work for anyone. Similarly, if the big business executive sees a chance to make a profit, but concludes that the possible profit is not sufficiently large to compensate for the additional worry that would be brought to his organization over possible labor troubles and in satisfying additional governmental restrictions and regulations, nor sufficiently large to permit the organization, after paying a heavy tax, to keep enough to make it worthwhile to undertake the risks, he disapproves of the possible new venture and thus possibly even a few thousand jobs are not provided.

A business man, whether he is "big" or "small," needs little besides a chance to make a profit and keep enough of it to make the undertaking attractive and worthwhile. Success must be profitable after taxes, not merely before taxes. In order to induce business to take risks, and thus to provide the jobs we need to balance the budget, and for other purposes, we should remove as many as possible of the artificial barriers that have been placed on the road to success in the past few years. These barriers include governmental regulation and regimentation. We need to restore freedom to enterprise, to allow a man to test his capacity against the natural hazards of any business venture, rather than the hazards of complying with endless laws and rules and regulations.

Confidence in Future of Business Necessary

So far in this discussion reference to confidence has meant the confidence that the individual citizen has in the soundness and stability of the money he has and uses. When speaking of prosperity, one cannot avoid speaking also of confidence which the businessman has in the future possibilities of business. In order to have the benefit of full employment, we must have an atmosphere in which business men have confidence in the possibility of making profits. This confidence, being again an individual attitude of mind, depends upon many considerations, not the least of which are the feelings that business will be encouraged, not hampered in the new ventures, that success will be rewarded, not penalized, that it will be free to make its own decisions, that it will not be cajoled or persecuted, that it will not be faced with governmental competition, that it will not be subjected to undue regulations and restrictions and finally that the Government will not embark upon unsound fiscal and social ventures, especially such as would destroy the stability of the economy. In short, business will provide jobs when it feels that Government and the people are in a frame of mind to support business expansion rather than support measures that hamper, restrict and depress business. When he feels that these depressive measures are in store for business generally, he is afraid to take a chance on expansion. When he has confidence that the people will support business generally, he has confidence in the future and is willing to expand and anxious to take risks and provide the jobs that go with such expansion and risks. This feeling of confidence or fear is usually widespread. The conditions that lead one business man to be fearful or confident are likely to make businessmen generally, fearful or confident at the same time. General confidence makes for prosperity and tends to encourage each business man, large and small, to expand and provide jobs. General fear makes for depression and tends to discourage each business man, large and small from expanding and making jobs.

Inflation Due to Lack of Confidence in Monetary Stability Means Unemployment and Depression

It must be emphasized that confidence of business men in the future profit possibilities of business, in the advisability of expanding and providing the increased jobs we want and need, hinges very largely upon the confidence of the people as a whole in the stability of the monetary system. If the people lose faith in the soundness of their money as has been discussed, an artificial demand for goods is developed which leads toward, if not to, disastrous inflation. The business man seeks a sound, genuine demand for his products, and not the unsound, artificial demand of inflation. The former, he realizes, is beneficial to the entire economy, including his own business; the latter is disastrous to the entire economy, including his own business, and will quickly run its course of devastation and ruin him in the race, along with everyone else.

Hence, all those policies outlined above that give rise to fear of inflation, give rise to fear in the mind of the business man for his business. Instead of seeing the prospect of profit, he sees the prospect, or at least the possibility of loss. Consequently, instead of expanding and providing jobs and full employment, he contracts, and unemployment is the result. Too many people in their minds, associate inflation with booming business activity and full employment. An inflation due to a genuine demand, based on a real need for goods, may bring such conditions, until supply and demand are brought into balance, as outlined at the outset of this discussion. But inflation that is disastrous, that stems from fear of the future value of the money of the people, that faces us here as a possibility, brings with it fear for the future of business, and brings not full employment and booming business activity, but instead unemployment and depression.And such conditions are the more unbearable as unemployment becomes more widespread at the very time that prices for everything are zooming upward.

"Compensatory Spending" Will Do More Harm Than Good

Now there is considerable talk to the effect that if "business" does not provide the jobs necessary to full employment, the Government will. Certainly governments, national and local, can well plan to spend money for worthwhile needed capital improvements when employment is slack, more so than when employment is full. By thus adjusting expenditures that would be made at sometime regardless of business conditions, government can do real good. Beyond that point, however, it is likely to do more real harm than good. If there is unemployment of distressing proportions, it is because businessmen are afraid of the future and do not have confidence in the future profit possibilities. It may seem harsh to say that people go without jobs because businessmen are not willing to undertake the chances of making profits. It may seem even harsher to say that such a condition calls for no artificial or governmental measures.

In truth, no artificial or governmental measure can correct such a condition. Being fearful of the future profit possibilities is simply an attitude of mind on the part of the business man. Coercive measures cannot change his fear into confidence. Only a change of attitude can make him confident and willing to expand and provide jobs. He must be induced, not coerced to change his attitude. The inducement must consist of the removal of the conditions that gave rise to the fear. When those conditions are removed, confidence will automatically appear, for the business man is always anxious to make a profit, and a good business man is always alert to possibilities of making a profit.

If the Government should adopt the policy of making work for all those who want work and cannot get it in private employment, such a policy is likely to accentuate the reasons for unemployment. Businessmen are likely to grow more fearful of the future, under such a policy. First, they become fearful of the fiscal effects of the greater expenditures that the Government undertakes, especially if such expenditures result in deficits. Second, they become fearful of the added tax burden which such expenditures must bring. Third, they become fearful of governmental competition with business. Fourth, realizing that other businessmen are likewise becoming more fearful of the future of business, they fear that the day is further removed when private business will again provide the sound, full employment that is necessary to prosperity. Fifth, they become fearful of having to endure repressive governmental policies.

The advocates of this theory of "compensatory spending" claim that a certain amount of spending is what is required to keep the economy humming at a good level with everyone employed, that when private business for any reason fails to spend that much the Government can step in and spend enough to compensate for the amount which private business is not spending, and that after thus "compensating" for this failure of business to spend enough, the economy will again be humming and will carry on from there without "compensation" from the Government. Back in 1933 the same program was tried, although then it was called "priming the pump." The pump was to be primed with a little "compensatory spending" and after a little priming the pump would carry on. Well, the "compensation" was kept up until 1937. When it was withdrawn then, the pump suddenly went dry again; so it was again promptly "compensated" with more "priming." This "compensatory spending" was continued until in 1940 we had 10,000,000 unemployed. In 1941, the compensation was vastly accelerated in the form of war time spending, which still continues.

In all that time the policy did not cure the unemployment, because it did not remove the cause of unemployment, which was the fear of businessmen to expand and provide jobs. Most certainly the Government cannot continue with its vast outlays for compensation that did bring full employment with the war, for if such outlays be continued, the monetary system will collapse in a disastrous inflation. A better substitute for further attempts at "compensatory spending" would be a sincere and intelligent effort to remove the reasons already mentioned for businessmen not to have confidence in the future.

In some quarters there appears to be the thought that the Government can support huge post-war expenditures, carry the tremendous debt burden and perhaps even balance the budget, simply by allowing the price level to rise so that the "national income" will be sufficiently high in dollars to enable the Government to collect all the taxes it needs. If the "national income" is high due to a healthy, active economy, possibly the budget can be balanced, as already stated, and as is devoutly to be sought. However, if the "national income" is high in dollars only because the price level has been "allowed" to rise, such a high dollar level of national income will be of doubtful value in helping to make income meet expense, for expenditures will rise for the same reason that income rises. Of all the expenses previously listed as probable major items in the post-war budget, the only one which could be termed fixed in terms of dollars would be the item for interest on the public debt. The other expenses must largely be paid as current expenses and they would certainly increase as the price level rose, though perhaps not in the exact proportion. Moreover, even the expense of interest on the debt is far from fixed, for such a huge portion of it is in short term maturities, as previously emphasized, that much of the debt would have to be refunded during and after the rise in the price level, with a very great possibility that if this price level rose considerably, interest rates would also rise. Finally, the mere fact of "allowing" the price level to rise to any considerable proportion may very possibly be the final straw in causing people to lose confidence in the stability of the soundness, and purchasing power of the dollar. Thus there would be a considerable risk of bringing on inflation by such a policy, in return for a meager, and certainly unfair, supposed benefit of paying the interest burden in cheaper dollars.

In summary, then, our gravest threat of a disastrous inflation stems from the possibility that the people may lose confidence in the soundness and stability of the monetary system, and this possibility hinges upon the fiscal policies the people want or permit the Government to follow in the next few years, and particularly upon whether or not the budget is soon balanced in the post-war period, which, finally, hinges almost entirely upon whether depression be our lot then, or prosperity our good fortune. Depression or prosperity, in turn, depends principally upon the policies of the Government.

Resurgence of Business Enterprise

(Continued from page 2393)

were told day in and day out that there was no hope that they would ever have jobs, since we were destined always to have 10,000,000 to 15,000,000 unemployed, radical liberalism thrived and the purveyors of economic nostrums did a land-office business. But something of vast significance has happened to the nation's pocketbook nerve during the war. We have experienced a great expansion in incomes and in savings with the result that many millions of our people have been lifted from the pauper class to the middle class. The people who were dispossessed in the early thirties have regained their stake in our system of private enterprise and they now have property to protect. We again have a middle class large enough and powerful enough to exercise a restraining force on the tendencies toward radicalism which in the pre-war decade chilled enterprise into inaction if not retrenchment. This does not mean that there will be no labor difficulties in the post-war period nor that the people will cease to support social security, but it simply shows that if business conditions are favorable, the general viewpoint on fiscal, monetary, investment and regulatory policies will be middle of the road instead of radical. This fact is likely soon to register politically for we know that a few hundred thousand votes one way or the other makes the difference between election and defeat in our national elections. The chances are good that we shall soon have Government policies more conducive to business expansion.

We seem, furthermore, to be on the edge of a period of vigorous expansion in industry based on the technological changes wrought during the war. We now have an impressive list of new industries for development and of new methods, machines and materials to be put to use in producing old things more efficiently so that markets can be expanded. Under the stimulation of war there has been drawn from our industrial laboratories the basis for a new industrial revolution. Television and other applications of electronics, powder metallurgy and the new light metals, high octane and diesel power, cheaper air transport, low cost housing, air conditioning, and a wide range of synthetic products are all ready for energetic development. Such new products and processes provide a firm basis for solid accomplishment in providing jobs for our people and in raising their standard of living beyond anything ever dreamed of before.

With such vast potentialities for industrial expansion we can ill afford to continue the enterprise-constricting policies of the past and it is urgently necessary that we release the latent forces making for expansion in the profit system. The first and most essential step in this direction is to reduce Government expenditures to a level where the tax burden will be low enough to enable business to expand vigorously. The second is to remove the obstructions to the flow of private savings into private investment. And the third requirement for prosperity is that the labor legislation be remodeled so that labor organizations can protect workers where protection is needed without needlessly raising costs or obstructing full production. These steps are essential if we are to realize the full potentialities of our present situation. They are not impossible of accomplishment if we will only base our policies on the assumption that without business prosperity we canont have full employment, and that business prosperity depends on the existence of an environment where the competitive incentive for profit is permitted to spur business to increase investment, expand operations, and reduce costs.

Hint Truman Planning Govt. Reorganization

Certain Senators who prefer to remain anonymous have disclosed the fact that President Truman plans sweeping changes in course of the coming weeks in the Government set-up so as to have many independent agencies absorbed into regular departments, according to the Associated Press from Washington, May 16. The revisions are said to be expected to include Cabinet changes, possibly in the Treasury, Justice and Labor Departments.

Independent agencies mushroomed in the depression years as the Government stepped into new regulatory capacities. There has been a growing demand in Congress for established departments to take over the functions of these agencies, a demand in which Mr. Truman is said to be heartily in accord.

The principle upon which the President is said to base his program is to have one responsible head for each department, with supervisory and advisory duties spread out to a group of subordinate executives.

Where to Questionnaire?

(Continued from page 2391)

The fact of the matter is that these repeated demands for pricing particulars tend to change trade custom by making dealers always mark-up conscious. The result is they are disposed to take smaller gross profits than they normally would, ignore selling securities of the smaller, lesser known corporations and avoid prospective investors not conveniently located and more costly to reach. Certainly this is not a gratifying picture.

The NASD should, in fact it is duty bound if it is to serve its members and country well, insist that dealers' profits be ample to insure the investment industry remaining healthy not only during a bull market but during those extended periods that keep cropping up when investor apathy prevails and sales are few and far between.

A healthy investment industry means better markets and greater liquidity for securities. And when people can readily convert securities into cash they are more disposed to buy them which accelerates the flow of capital into job-making trade and industry.

At least one by-product of these pricing questionnaires, the "5% spread interpretation," has already been emasculated by the decision of the Securities and Exchange Commission.

You will remember that the Commission decided no inferences of unfair or inequitable practices can be drawn from the size of a spread alone. It also held that one who takes the 5% spread or more does not have to sustain any burden of proof when he is charged with irregularity, but that the burden continues to be on the complainant.

Before that decision, the NASD by its 5% spread interpretation placed a duty of explanation on the member who was in the toils.

Fortunately, there were those who had the courage to lay this interpretation before the SEC for its determination.

What other curiosities will result from this latest and lengthier questionnaire?

The irony is two-fold: (1) meddling interrogation predicated upon the implied consent of the membership based upon their membership contracts, when the existence or absence of consent in fact, can be tested by a vote, and (2) setting up expensive machinery for that purpose at the cost of the very membership which it affects.

In other words, the flayed supply the whip.

We shall continue to believe that some day, in the not-too-distant future, adequate courage will come to the forefront to combat the change of trade custom and usage in the securities industry by self-regulatory bodies, or by public regulatory bodies.

Such change should come through the medium of legislation only.

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May 29, 1945

Reconversion and Foreign Trade

(Continued from first page)

time our boys in every quarter of the globe received a remarkably good diet and such a flood of war supplies that they were able to crush the enemy. We know now that we have the capacity in our farmers, our workers and our management to turn out an amazing quantity of peacetime goods. If we can produce for peace as we produced for war, the people of both the United States and the world will be greatly benefited.

On the United States for the first time falls the responsibility of world leadership. It is much the same kind of leadership as that which England gradually assumed after the Napoleonic wars a century ago. We are the only great nation with industries unbombed, and with highways and railways in good working condition. Our economy is ready not only to give our own people a higher standard of living than they have ever had but also, through a program of sensible investment in those nations which want to help themselves, to bring about a restoration of world productivity. The "little Englanders" of the 19th century have their counterpart in the "little Americans" of today. The "little Englanders" could not see across the English Channel. The "little Americans" cannot see across the oceans. Fortunately, for England and for the world, men of vision triumphed in England after the Napoleonic wars. Long-term investments were made all over the world. New countries were opened up. New commodities were produced. Obstacles to foreign trade were removed. The 19th century saw the most rapid increase in population, with the greatest expansion in world trade, and the most rapid rise in the world standard of living that has yet been seen.

I have great faith in the vision of the American people. I believe they can rise to the challenge of the 20th century with as much vigor and foresight as that which marked the British in the 19th century.

Every eye-witness returning from Europe brings back a terrible story of desolation. All over the world during the next three or four years there will be a tremendous demand for replenishment of supplies and construction material of all kinds. For a time, we shall undoubtedly sell abroad at a rate several times as high as during the five years just before the war, when our exports averaged somewhat under 3 billions a year. In so doing, we shall furnish jobs for millions of our workers and will ease off many of the most difficult problems of reconversion, because, fortunately, much of the demand from abroad will be for that type of heavy goods of which we otherwise would be most likely to have a surplus in the period immediately after the war. Foreign trade will make the difference between misery and the good life for several years in many American communities.

Export Licensing to Prevent Inflation

There may be a period of a year or two when there is grave danger of inflation in the United States—inflation like that which occurred in 1919 and 1920, immediately following World War I. During that period it may be necessary, in order to protect both the domestic and foreign consumer, to continue certain types of export licenses. Once the danger of inflation is passed, however, the Government must get out of export licensing with all possible speed. Government does not like to be a lightning rod for business criticism. The surest way, therefore, for Government to avoid criticism is to withdraw from business supervision of every kind whenever this can be done without harming the general welfare.

I am not worried about a large volume of foreign trade during the next four or five years. The real trouble, as you know better than I, will come five or ten years hence, when our foreign customers will try to find a sound basis of payment for the quantities of American goods which they would like to buy from us. In the years immediately ahead, undoubtedly, a large volume of American investments will be made in many lands. But, sooner or later, sound business demands that we import more than we export, or that we accept from foreign countries a very large volume of tourist services or gold. Our great mistake in the decade of the twenties was that we gave foreign nations reason to believe that we never would allow them to send enough goods into the United States to balance our exports, with no margin to pay even the interest on the money which we had loaned abroad.

Must Lower Trade Barriers

In extending the trade agreements program and providing authority for further cuts in import duties, we are looking ahead to an eventually sound two-way trade between the United States and the rest of the world. We are doing our part to create a situation where the American business man can have, say, 90% of a large expanding market instead of a 100% of a small contracting market. After World War I we had the opportunity to lower our tariffs and trade with other nations on a "live and let live" basis. We refused to do it and had to pay the price in terms of reduced world trade and a depression in the decade of the thirties. During the twenties the truth was hidden from us by the large loans which were made abroad. The wrong choice made after World War I was also responsible for the slump in foreign demand for our agricultural exports. It was this wrong choice which made necessary the New Deal and its farm program. To stop producing for a foreign market which no longer existed, the farmers found it necessary to use the centralizing power of Government.

Today, after the second World War in Europe is ended, we again find ourselves confronted with a choice. This time I trust we shall choose the path which leads to a large volume of exports which can eventually be established on a sound, sustained basis.

The enactment of the Doughton Bill on trade agreements is not enough. In addition, we must provide for reasonable stability of foreign exchange and ready convertibility of currencies. For some years at least we must provide for a large volume of foreign investments at moderate rates of interest. We must hold down the restrictive practices of cartels. We must protect the producers of those raw materials which move in world trade from that type of chronic surplus situation which destroys purchasing power. I am thinking particularly of sugar, coffee and wheat. International commodity agreements, however, should not have as their sole purpose the protection of the producer. The consumer is just as important as the producer, and his interests should be recognized in all international commodity agreements.

In speaking of world commodity agreements, I recognize that, in case we have a lowering of trade barriers in the United States and the British Empire and full employment in both the United States and England, the market for the great raw materials which move in world trade may be so brisk as to make it possible for the producers to get along without such agreements. If, however, the larger manufacturing nations of the world, whether by high tariffs, cartel agreements or otherwise, adopt scarcity policies which result in unemployment, the raw material producers of the world will find it absolutely essential, out of self-protection, to set up machinery for international commodity agreements.

Private trade in both the domestic and the foreign field will find itself on trial as never before during the years immediately ahead. Many of the war agencies will drop most of their controls with great speed as soon as Japan has been defeated. Certain controls will be dropped during the next few months. Every true American will be happy to see the end of governmentally managed trade. We don't want to see the debtor nations of the world compelled to do what Germany did during the thirties—that is, resort to governmentally supervised bilateral trade schemes.

No Total "Planned Economy"

We are not going to have a planned economy in the United States, but our Congressmen and Government administrators will find it necessary to do some very definite planning with regard to certain functions to which every government should give the most careful attention, namely, taxes, tariffs, fiscal policy, fair competition and conservation of irreplaceable natural resources. We in the United States shall never permit governmental totalitarianism. Neither must we allow what William Allen White called "private totalitarianism." Concentration of economic power in the hands of a few private individuals can do even more to restrict the opportunities of small business men, farmers and workers than concentration of economic power in the hands of Government.

We must plan to keep our economic system on an open, competitive basis. We must plan for maximum production. The United States is in a position to demonstrate to the whole world that her great political and economic power will be used for neither imperialistic nor scarcity purposes. No war damage touched our factories. Our people by the millions have learned new skills. No nation ever had such an opportunity to help the world toward peace and abundance as the United States has right now. On the other hand, we can, by making the wrong decisions, place such a strain on the other nations of the world as to make World War III inevitable.

The Commerce Department

It is appropriate that the Secretary of Commerce, charged with the duty of fostering, promoting and developing foreign commerce, should speak in New York during Foreign Trade Week. It is right that he should talk about the great service which the Department of Commerce can, and should, render to those Americans who are engaged in the day by day activity of selling goods abroad and importing from abroad. The Department of Commerce used to render a great service to foreign traders. It is preparing to render that same service again as soon as war restrictions are removed. We intend to cooperate in the closest possible way with the Commercial Attaches and other commercial officers of the Foreign Service of the United States. For all practical purposes we look upon them as being in the Department of Commerce. It is the purpose of these men to serve the entire United States, by cooperating with the Department of Commerce in helping individual business men with their foreign trade problems. If the Commercial Attaches abroad, or the men in the Bureau of Foreign and Domestic Commerce are not doing a good job, I want to hear about it. There is every indication that they will do a good job. They know that foreign markets will be soon opening up again in a big way, and that a great volume of work will be descending upon them. If they need further personnel to carry the load, I am sure that Secretary Stettinius will be glad to join with me in making a proper presentation to the Bureau of the Budget.

During the past month I have been talking with various people, both in the trade and in the Bureau of Foreign and Domestic Commerce, about the methods used when the Bureau had the reputation of being one of the greatest foreign trade promoting agencies in the world. We intend to learn all we can from past experience, both governmental and private. We intend to foster, promote and develop both American exports and American investments abroad. But we don't intend to repeat the mistake of acquiescing in short-sighted policies which will make it impossible for foreign countries to sell us their goods and services.

The Commercial Attaches of the Foreign Service have been asked for fresh surveys of current economic conditions, so that we may have their estimate as to just what the state of the foreign markets will be, now that the European war is over. We want to help foreign traders to re-establish connections in the liberated areas just as soon as conditions over there will permit renewal of direct international trading between private firms.

We are building up again as fast as possible the system of information on foreign business firms, known as "world trade directory reports." This kind of service was stopped in 1940, but we are now doing everything possible to revive it because we know that it has been of real service to the individual exporter and importer. Many foreign firms have ceased to exist as a result of the war, and the character of others has been changed greatly.

It is a proper function of the Department of Commerce to help the exporter and importer with that type of "commercial intelligence" with which old and powerful firms are usually familiar, but which small and young firms cannot obtain except through the good offices of Government. The Department of Commerce intends to keep the business world promptly posted with regard to current changes in foreign market conditions—tariffs, trade controls, and unusual privileges or limitations which apply to American firms when operating abroad.

The Department of Commerce, inside the United States, has 26 commercial field offices operating all the way from Los Angeles to Boston. Through these field offices the local exporter and importer can make inquiry, and thus get full information as to the changing situation abroad, as it may affect any particular commodity. I intend to do all I can to help the Department of Commerce furnish American foreign traders with prompt and adequate service.

As supplies become more freely available for export, certain foreign markets may become overloaded with American goods. This kind of a situation developed after the last war, and resulted in many cancellations and heavy commercial losses both to the American shipper and the foreign consignee. I hope, but cannot as yet guarantee, that, by working through the Commercial Attaches of the State Department, we may be able to get information promptly enough so as to avoid a repetition of what happened after World War I.

The Bureau of Foreign and Domestic Commerce has for many years been looked on as one of the best agencies in the world for collecting certain types of international information. Its work having to do with the international balance of payments, current tendencies in foreign commercial policy, industrialization plans, etc., will be continued and, I hope, strengthened. This type of information furnishes an absolutely vital guide to that type of planning which no nation can avoid if it wishes to prevent recurring depressions, serious damage to the economy of other nations, and perhaps even worse.

Information for Small Concerns

We have no prejudice against large business firms in the Department of Commerce, but it is my hope that in the future we may be able to pay more attention than in the past to the needs of the small and medium-sized business firms, who find it more difficult to get certain types of information about foreign markets. I trust that the medium and small-sized export firms will work with Congress, after clarifying their own minds, to discover just what changes should be made in the Webb-Pomerene law to make it a better servant of the small business man engaged in foreign trade. Certain amendments are probably desirable but suggestions as to these amendments should come from the trade.

Recently, I mentioned to a Congessional committee the need for looking into the British and Canadian experience with export credit insurance. As a result of my suggestions, a certain amount of discussion has been stirred up in the trade but there seems to be no concensus of opinion. I trust the discussion will continue until there is some agreement as to whether our exporters need such facilities and safeguards to put them on an even basis with their foreign competitors in the export field.

If we are to avoid the mistakes of the twenties, it is important that we start now specialized research to discover just what types of imports will best help the economy of the United States. We must learn to look on imports as a benefit to the United States, not as a damage. As a part of looking into the need for increased imports, we might well start an examination into the special problems of those businesses which may be damaged by larger imports. I trust we can find ways of cooperating with foreign nations to remove obstacles which interfere with the granting of passports and visas. A greatly increased American tourist traffic can serve as a basis for expansion of exports. A billion dollars obtained from a greatly expanded tourist traffic can serve just as effectively for expanding our exports as a billion dollars obtained from increased imports of foreign goods. The billion dollars spent by American tourists has certain advantages because ordinarily no domestic firm is damaged thereby even indirectly. In this connection, I have been interested in suggestions from the trade press that the big stores should use their display windows to drive home to the public the stake which we all have in an expanding two-way foreign trade based on sympathy and understanding with all the peoples of the world.

In conclusion, I wish to state that in my opinion foreign trade is important not only as a source of material well being. Foreign trade is a material symbol of the ties which hold the world together. In all truth, we are members "one of another." We recognize this when we reduce the obstacles to trade. And this is especially important for the smaller nations. Only two nations in the world can safely talk about the luxury of self-containment. The smaller nations look at the great nations with anxiety, knowing that they can by sudden and arbitrary action cause the small peoples the most extreme hardship. To us here in the United States great power has been given. On us a great responsibility has been placed. From us great service will be expected. We may not in every case get thanks for our assistance, but in following our higher impulses and aspirations we shall find that by helping others we have also helped ourselves. Nevertheless, I say it is our duty to trade with the world with courage and foresight, expanding first our exports and eventually our imports. It is up to you, the leaders in foreign trade, to push this great work. As Secretary of Commerce, I shall be glad to do what I can to help you.

* * *

In addressing the Institute of World Affairs of the New School of Social Research in New York City following the above discourse, Secretary Wallace spoke of the policy which might be pursued by the United States in maintaining peaceful relations and international trade with other powers and in fostering world trade by lending aid to the advancement and industrial relations with backward countries. In this address, Secretary Wallace said:

Technology and war have destroyed western Europe as the center of world power. The two powers which now come to the top have no colonies and do not believe in colonies. They both claim to have great respect for the rights of small peoples but both have occasionally stepped over the line when the principle of national defense is involved. The two nations are so geographically placed that they have never had conflicting basic interests. The Russian and American people instinctively like each other. Neither the Russian nor the American people wishes to use modern technology as an instrument of war. We want to raise the standard of living of our peoples and we do not want to exploit other people.

Both the Russians and Americans in their different ways are groping for a way of life which will enable the common man everywhere in the world to get the most good out of modern technology.

This does not mean there is anything irreconciliable in our aims and purposes. Those who so proclaim are wittingly or unwittingly looking for war and that, in my opinion, is criminal. We in the United States are certain our methods will bring more liberty and a higher standard of living. The Russians are equally certain that if they are given the opportunity of peaceful development, their system will eventually deliver the most satisfaction to their people. Both of us believe in the maximum use of technology and both of us believe in peace. Both of us want to see the so-called backward nations industrialized so that the standard of living may be more uniform over the entire world.

Recent developments in electronics and chemistry tend more and more to free all nations from dependence on specific resources. Idealistic reformers who have long tried to raise the standard of living of the poor and the backward peoples now receive unexpected help from a technology which in the lifetime of some in this room will make it possible for nearly every industrious people in the world to enjoy a good standard of living. The irresistible trend of the modern industrial system is toward world-wide equalization of techniques.

This trend toward equalization reverses the order of world trade which grew up in the nineteenth century. Sixty years ago a few hundred million people in western Europe and eastern United States owned the world's workshop. Out of it they drew great profits and the egotism to proclaim cultural and political leadership. This over-lordship of the western nations has passed. We now know that no one world region can long claim exclusive economic leadership. In the years immediately ahead we see the United States, Russia, and the British Empire producing perhaps 85% of the world's industrial output. But we also see the stirrings of a rapidly expanding industrial consciousness in Latin America, China and the Near East. Shall we minister to that consciousness with the services of experts and the sale of goods? Or should we consciously endeavor to prevent the industrialization of the so-called backward nations by withdrawing from the world market?

Personally, I have no question as to our decision. I shall not go into the economic arguments which are weighty. The political, security reasons are enough for me. We must trade in the most friendly way possible with Latin America because that is our back door. We must trade with England and western Europe because that is our side door. We must trade with Russia to prevent the world splitting into two hostile ideological camps. We must trade with China because the future peace of the world may depend on the friendly and sound industrial development of this great agricultural people.

We are only 140 million people in the United States even though we do have half the world's industrial power. 90% of the world is in trouble because of the war. It is not only good business and the last word in unselfishness but the highest altruism to help the 90%.

Backward Areas

Everywhere, for our own sake and the world's sake we must do our utmost to help the devastated and so-called backward nations to produce, transport and distribute goods in an ever-increasing flow to their starving, sick and underprivileged people. We cannot do the work for these peoples but we can point the way and we can furnish the "seed" capital and the knowledge of how to use "seed" capital to produce a "high standard of living" crop.

The so-called backward areas of the world have a total population of more than one billion persons. It probably will be impossible for these areas rapidly to bring about widespread education, the building of dams, the construction of highways and airports, and the building of factories without help from the United States or England. In some cases, the smaller nations of western Europe may be able to help. As we look back over the history of the world, we see only three nations which were able suddenly without extensive foreign capital to change from a primitive to an industrialized economy. These three were Germany after 1870, Japan after 1890, and Russia after 1920. The most spectacular of the three was Russia's progress, especially after 1928. But we must remember that under the Czarist regime a better foundation had been laid, especially with regard to highway and riverway communications than most people realize. Also, we must remember that in Germany, Japan and Russia it was possible to direct the sentiments of the people in a more powerful way than in the nations which permit of free democratic expression. The education of all the people was focused on limited objectives and the desired results were achieved. There will be less future conflict in the world, in my opinion, if England, and especially the United States help China to educate her people and to industrialize. We don't want China to use the methods used by Japan. There is a greater probability of a strong democratic China if we help her in the post-war period than if she follows the methods of either Japan or Soviet Russia and tries to do it chiefly by herself.

I am not saying that we should be a Santa Claus to China, or any other part of the world. We shall make fair business profits out of helping China get on the path to industrialization and we shall help, I hope, strengthen her friendship for us.

We shall build economic and cultural relations which will give us a powerful and helpful voice for peace in the Orient. But it should be made clear when we help China that we have no desire for political power in Asia. We are interested only in peace and trade, and not in opening up of the backward areas so that we may eventually exercise sovereignty over dependent peoples. We have no use either for old-fashioned imperialism or economic imperialism. But, for our own sake, we want to help the backward peoples of the world to learn the secret of the abundant life so that eventually they may stand on their own feet and contribute in their own way to an expanded world trade. In this respect I think the United States has a better record than any other great power.

Co-ordinated Investments Abroad

To improve our record and to avoid the mistakes we made after World War I, both our financiers and our industrialists must cooperate so any investments abroad may be carefully co-ordinated. Undoubtedly, the Department of Commerce and other Government agencies can be of help when it comes to discussing such problems as loans versus direct investments; whether such loans should be made by Government or by private agencies; and whether the loans should be free or tied. From time to time the larger financial concerns and the leading Government agencies in the foreign field should counsel with Congressional leaders concerning the relationship between our foreign trade policy and investments abroad, tariff policy, tourist expenditures, etc. Our Commercial Attaches abroad, working in close co-operation with the Department of Commerce and those business men interested in foreign trade, can work out a program of foreign trade promotion which will not merely make money for the business men of the United States but will be of the very greatest service to those so-called backward nations which are trying to expand their economy along sound lines.

As I think about the fundamentals of our problem, I am convinced that an important contribution can be made through Government by continuous emphasis on fundamental scientific research. This will not be to the disadvantage of any private research institutions. Quite the contrary! I have had the opportunity for many years of watching the inter-play between the fundamental scientific work in agriculture conducted by the Federal and State Governments and the research work conducted by private agricultural institutions. Private agriculture has been immensely helped, not harmed by Government. I hope to see the day when the scientific work in the Department of Commerce is enormously strengthened. It must be strengthened if in the post-war period American science is not to lose ground to Russian and English science. Every bit of fundamental scientific research sooner or later has its industrial implications, and finally its effect on exports and imports. Our economists in the Department of Commerce can, if they keep fully abreast with the latest fundamental scientific and technological developments, arrive at conclusions year by year as to the areas of the world which most need certain types of capital and certain types of commodity imports, while at the same time they can make estimates as to what the eventual exports from these areas will be if development has taken place.

I understand that the Institute of World Affairs, which is associated with the New School for Social Research, has been engaged in some such study. We in the Department of Commerce will be glad to co-operate with you in every way possible in this work, just as we shall be glad to cooperate in every way possible with those more actively engaged in the day by day transactions of foreign trade. We believe it is necessary to take into consideration both the short-run and the long distance points of view. We are glad to have the time and disposition to go into the fundamentals of what I like to call the seismology of "scienomics."

International peace and higher standards of living for the peoples of the world will depend on the intelligence with which we deal with our international economic problems. High levels of production and distribution, opportunities for new capital investment, and maintenance of full employment on a sustained basis in the United States as well as throughout the world, will depend in considerable measure on the extent to which the nations of the world are prepared to recognize their interdependence, and to co-operate in determining and achieving economic objectives that are mutually advantageous. The United States, in its own interest, as well as in the interest of the poorer nations, must be prepared to play an active role in promoting the industrialization of the backward areas of the globe. Actions, such as this, designed to increase the productivity, the purchasing power, and the standard of living of the poorer peoples of the world would not only promote worthy international social and economic objectives, but would also help assure prosperity and avoid post-war collapse at home. Moreover, and perhaps of greatest importance, achieving a sound international economic order is a fundamental prerequisite to the preservation of peace. The Bretton Woods proposals, the pending reciprocal trade and tariff legislation, and the San Francisco Conference are the types of measures that have the central purpose of establishing mechanisms and goals to permit orderly international cooperative action towards common objectives. Their objectives should have backing and active support of all persons and organizations interested in prosperity and world peace.

Looking toward the future, I wish to express it as my belief that the doctrine of "noblesse oblige" should apply not merely to individuals but also to nations. I have observed that this doctrine applied in private life usually pays the individual business man. This doctrine applied in international life will, in my opinion, pay the United States. It will pay the United States in short-time business returns, and it will also furnish the best guarantee for future peace. The one way in which the United States can effectively assist in guaranteeing the long-time peace of the world is by helping to promote economic conditions everywhere that will favor continuous growth of freedom and equality in all the lands.

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Imrie de Vegh is a consulting economist with a successful practice at 122 East 42nd Street, the author of pioneering studies in interlational trade and payments. In the past Mr. de Vegh had been the economist of Scudder, Stevens & Clark, investment counsel, and assistant to the production Vice-Chairman at the War Production Board.

Franklin Field was formerly a partner in J. E. Swan & Co., New York affiliate of Swan, Culbertson & Fritz of Shanghai, Manila, Buenos Aires and Montevideo. Prior to that he was assistant Vice-President in the foreign department of the Bank of the Manhattan Co.

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Business Man's Bookshelf

Bank of England, The—A history, in two volumes—Sir John Clapham—The Macmillan Co., 60 Fifth Avenue, New York, N. Y.—cloth—$7.50 per set.

Current Problems in Wage Policies—Selected references—Industrial Relations Section, Princeton University, Princeton, N. J.—paper—10¢.

Collective Bargaining by Supervisory and Technical Personnel—Selected references—Industrial Relations Section, Princeton University, Princeton, N. J.—paper—10¢.

Electric Light and Power Industry in the United States—A Review of 1944—Edison Electric Institute, 42 Lexington Avenue, New York 17, N. Y.—paper.

Employment Tests in Industry and Business—A selected annotated bibliography, 1945—Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper—50 cents.

Guaranteed Employment and Income Stabilization — Selected references — Industrial Relations Section, Princeton University, Princeton, N. J.—paper—10¢.

International Conciliation — May, 1945—"Consensus of American and Canadian Views on the International Court of the United Nations Organization"; "Congress and the Ratification of Treaties", and "The United States and International Agreements," by Quincy Wright—Carnegie Endowment for International Peace, 405 W. 117th Street, New York 27, N. Y.

Latin American Markets—Abstracts and Annotations of a selected list of references—Business Information Bureau, Cleveland Public Library, Cleveland 14, O.—paper—10¢.

Pattern of Inflation, The—Charted study—National Industrial Conference Board, Inc., 247 Park Avenue, New York 17, N. Y.—paper—on request.

Planning for the Future—Current economic problems—Finance and the Stock Exchange—Ludwig Bendix, of Bendix, Luitweiler & Co., New York Stock Exchange members — International Press, 121 Varick Street, New York, N. Y.—$1.00.

Rough Waters—A short story of insurance and insurance brokerage, written from the layman's point of view, semi-humorous in treatment, and illustrated with sketches by Alain, the cartoonist—issued in connection with their 100th anniversary by Johnson & Higgins, insurance brokers, 63 Wall Street, New York City.

Variations in Farm Incomes and Their Relation to Agricultural Policies — Agricultural Department, Chamber of Commerce of the United States, Washington 6, D. C.—paper—may be had on request.

Robert Bourne With Conrad, Bruce & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Robert K. Bourne has become associated with Conrad, Bruce & Co., Russ Building. Mr. Bourne was previously with Geo. H. Grant & Co., and prior thereto was manager of the trading department of the local office of Merrill Lynch, Pierce, Fenner & Beane.

Domestic Politics Overshadow Security Conference Deilberations

(Continued from first page)

sumed that their purpose was to enlist such outside pressure to further their internal domestic social program. . . . The meaning of the text being obscure, the Americans in a stormy closed session succeeded in emasculating it on the grounds of either irrelevance, redundancy, or inconsistency in interfering with domestic affairs.

Unfortunately, however, the United States resultantly is again the "goat," as it was last week when it effectively blocked the projected grand promises for full employment, in properly refusing to subscribe to lofty aims pursued with impossible procedure. . . .

* * *

Each day's Conference deliberations bring additional evidence of eyes being kept on future congressional reaction to the finished charter. . . . **Fear of legislative opposition is seen running the gamut from the vital controversies over the veto power to the merest details of punctuation in drafting. . . .** It is evidenced in trusteeship agreements that must conform to our sacred national interests; in regional arrangements that must preserve the Monroe Doctrine and our inter-American relations (in the ringing words of Senator Vandenberg); in the full-employment pledge that must carry a separate guarantee of sovereignty for the benefit of the Senate; in the World Court's formulation where the vital compulsory jurisdiction provision will probably be abandoned through fear of autonomy—loss on the part of Russia and ourselves.

It is being recalled that in the past relatively mild compulsions of the original World Court were opposed by the Senate; that in 1920 and 1929 revisions were submitted to it, which it rejected and kept us out of the Court. And the general wording of the Economic and Social Council is closely following anticipation of congressional reaction.

* * *

The issue of full employment has been settled by ingenious compromise. The committee drafting the provisions for the Economic and Social Council finally used the relatively direct language that "the organization shall promote . . . full employment." This had been opposed by the American delegates who attempted to include the employment issue merely in a general way as follows: "The organization shall promote solutions of international, social, health and other related problems, including those relating to the attainment of higher standards of living, full employment, and conditions of economic and social development."

The committee turned down the United States suggestion, but in order to alleviate our concern over congressional and other domestic objection, agreed that the formal submission of the text to the full Commission shall be accompanied by a separate statement assuring noninterference with domestic affairs. . . .

This safeguard is already contained in Chapter 2 of the Charter, but it is thought that this "codicil" may be useful in reassuring our Congress. . . . Although the addendum will be buried for all general purposes, it can be cited in case of legislative trouble, and permanently used like we research among the Federalist Papers to show what the founding fathers really intended. . . .

Repeating the cleavage occurring at the Rye Conference, the British along with the Russians wanted the full employment provision very strongly and definitely spelled out, while the Americans, supported by the Chileans, argued at length for tempering the language. . . .

As first choice, the United States would have preferred that there be no provision whatever regarding full employment; as second choice, her own deviously-worded proposal, and the present provision as the most undesirable and troublesome and alternative. . . .

It is felt that the British position favoring strong reassurances of high employment has been prompted by considerations of domestic politics, enhanced particularly by her imminent crisis. . . .

The objections of the American delegation to the definite provision were based on possible interference with domestic affairs; on the controversial nature of the economics involved in the meaning of full employment, in the necessary steps to be taken, and the Wallace-type of reasoning. . . .

The business interests represented in the consultant's group here objected because of misplaced emphasis in centering attention on employment instead of production. . . . They contend that this puts the cart before the horse on a world-wide scale just as does our (Murray) Full Employment Bill domestically. . . . **It waits until trouble has definitely become evident before taking the necessary steps, instead of first helping employment by removing the hindrances to production. . . .**

The Conference Committee dealing with the functions of the Economic Council has practically completed its entire redraft of the revised text.

(1) Generally, it represents a spelling out by technicians and experts, in place of the relatively politically-minded fashioners of Dumbarton Oaks;

(2) It considerably broadens the Council's powers to act autonomously with outside specialized agencies, and member countries, including the calling of conferences. . . . The Council can make reports to, and get reports from, specialized outside agencies, directly instead of through the General Assembly. . . .

* * *

The imminent course of Reciprocal Trade Agreements extension legislation in Congress is vitally relevant to the World Organization, and is being closely followed here. . . . Final passage in the Senate without permitting further tariff reductions, or with crippling amendments would:

(A) Bode ill for the prospects for the general international cooperation which is so indispensable to the ultimate effectiveness of the Economic Council and to success by the World Organization;

(B) Prevent the establishment of two-way International Trade, forestall International Monetary stability, and undermine the Bretton Woods system. . . . Continued unwillingness to accept imports as the only means of real payment of our exports would soon make the dollar a scarce currency and upset the operations of the International Monetary Fund. . . . .

* * *

Discussion with British technicians here fully confirms England's future need of loans in addition to Bretton Woods. . . . However, a difficulty with any loaning arrangement from the United States is that England's imports to a great extent come from other countries, as the Sterling Area, Canada and Argentina. . . .

* * *

The National Association of Manufacturers, which is represented here officially among the consultant's group, is supporting a renewal of the trade agreements on the present level, without further 50% reduction. . . .

American officials here feel that the closeness of the House vote, following party lines, is not significant. . . . The crux will be the Senate vote, including the Democratic Intra-Party lineup, the action on amendments—for frequently in the past emasculating amendments have been defeated only by a shade, and the Truman administration's subsequent administrative policy. . . .

* * *

A basic flaw of the Conference, coming to light increasingly, is the unrealistic reliance on word-fashioning and legal dialectics. . . . The Charter is merely an instrument whose success will depend entirely on the peaceful international spirit that is shown through the years. . . . **But belief is being fostered on the public that basic conflicts about regionalism, trusteeship, and veto prerogatives can be resolved by the ingenuity of international lawyers. . . .**

Furthermore, there is the corrollary that the verbiage already employed cannot be interpreted with agreement, which augur ill for future international meetings of minds. . . . At the invitation of the big Powers, the small nations submitted to them a questionnaire centering on the meaning of the word "procedural" as it was inserted at Yalta, and spelled out here. . . . This took the form of 22 specific, simple questions asking whether certain named functions of the Security Council are or are not. . . . Subject to the veto—involving their classification as peaceful or forceful. . . . **In the eight intervening days to this writing the big Powers have been unable to agree among themselves on the answers. . . .**

* * *

Today Dean Virginia Gildersleeve argued with General Smuts in Committee for two hours whether the words "the high contracting parties" or "we the people" better expressed the intent of the preamble which they are formulating. . . .

And parts of the territorial trusteeship plan as finally drawn are comprehensible to no one. . . . Section 2 (d) containing text "to insure equal treatment in social, economic and commercial matters," which would cover the entire problem of trade, has two saving clauses, whose net effect is to make the entire section wholly incomprehensible to its original draughtsman. . . . **If the chapter has any meaning, it is that trusteed territories can be exploited equally by all if no prior agreements exist, but if special contracts do exist then each of such special agreements with the trusteeing power will be continued or terminated on its so-called merits. . . .**

* * *

There continues to be agitation for assurance about "access to raw materials," France being the latest to ask for the inclusion of a definite guarantee. . . . But it can be reliably prophesied again that no such specification will be included in the Charter. . . . The meaning of free access is extremely indefinite and ambiguous. . . . There must be some quid pro quo for the producing territory which all usually may have the privilege of paying, but whose size and method in any event cannot be spelled out blanket-wise in a Charter. . . . And further complication exists in the fact of the transitionary process respecting the presently-mandated territories. . . .

Venezuela is pushing an amendment for "equal access to manufactured goods," which seems to typify some countries' anticipation of a United Nations WPA. . . .

* * *

Great Britain has practically abandoned her promulgation of the International Labor Office to be specified in the Economic and Social Council. . . . The British feel that the U. S. S. R., despite its antipathy toward a League of Nations affiliate, will admit the International Labor Office as an official governmental affiliated agency, with the Soviet-CIO-controlled Workers Trade Union Conference participating as a private body. . . . A further compensation for Russia in the matter may be arranged through ILO voting procedure. . . . In this tri-partite body the voting procedure now is as follows: Labor, 1 vote; government, 2 votes; employer, 1 vote. . . . **As in the Soviet the company manager is a government employee, changing the above-listed category of employer to the word "manager" will give the Russian Government three votes in lieu of two in the agency. . . .** England has been concerned neither with the fight of Russia against the ILO and the League of Nations, nor in the American AFL-CIO feud. . . . Hence she is backing the International Labor Office for the world organization on its merits. . . . This she does because: (1) British labor likes it for the job it has done in promoting labor standards throughout the world. . . . Thus it even has the acknowledged approval of the radical Walter Citrine. . . . (2) Business interests also like it because they are included. . . . (3) Participation in the World Organization will give its decisions greater prestige. . . .

* * *

On the other hand the National Association of Manufacturers, officially represented at the Conference, wants the International Labor Office dissolved and supplanted by two separate agencies representing labor and business. . . . In the first place, the NAM contends that there is great confusion over the name. . . . The agency originally was intended to concern itself exclusively with labor matters such as hours of work and working conditions, standards of living; but gradually extended its activities into business, because there was in the League no provision for a business body. . . . **The NAM further opposes the ILO as a tri-partite organization because of the inducement to intra-agency strife. . . .** Each representative acts in bidding for the support of the government member, instead of looking for real solutions to problems for the public interest. . . . It is felt that the tri-partite technique thus makes for a scrambled organization. . . .

Hence the NAM is proposing that there be two organizations: A World Department of Commerce and a World Department of Labor. . . . They would be opposite numbers. . . . The Department of Labor would be exclusively handled by Labor interests as its own agency. . . . The functions of the Commerce body would be fact-finding and recommendatory, and a depository for trade agreements and treaties. . . . **In line with its free-competition philosophy, the NAM wants such a business agency to draft agreements to halt the spread of cartels, and eventually to retire those already in existence—all of which legally could presumably come within the purview of the new Charter. . . .**

* * *

As this Conference approaches termination, increased thought is being devoted to the need for Post-Conference continuity. . . . **It is**

assumed that the Charter will not be generally ratified within at least 12 months. . . . In anticipating the Economic and Social Council activities, a so-called "Interim Commitee" could be established, under whose aegis would be bracketed agencies which will come in later, like the International Bank and the Fund; the Trade and Labor organizations; the Food, Health, and Labor agencies. . . . These agencies can be established on their own feet, and pursuant to their own Charters, and Chapter 9 of the World Organization, can easily be tied into the Organization as soon as it is ready to begin functioning. . . . If the United States is foreclosed from paying the interim expenses (although at least moderate amounts can be secured from the President's Special Fund, as did F. & A.), the seat of the agencies can be maintained if other countries who can advance the monies on a loan basis. . . .

Meanwhile suggestions for further conferences are being made. . . . France has formally proposed one on cultural matters during the summer. . . . Brazil and China today asked to have reported a formal declaration that a General Conference be convened within the next few months for the establishment of a permanent Health Organization. . . . **Although our current Conference's frame of reference does not cover the calling of additional conferences, the appropriate Committee unanimously expressed approval, and there is little doubt of their being held. . . .**

* * *

With regard to absorption of the League of Nations resources in the future, it is felt here that that question must be decided both by the interim organization and by the permanent World Organization. . . . It is anticipated that at least much of the League's resources will be used, but that the absorption of the staff as such is only a theoretical question. . . . Personnel will presumably be considered on its individual merits. . . . Of course many of the League staff unfortunately are not citizens of the new group of United Nations.

Dealer-Broker Investment Recommendations and Literature

(Continued from page 2394)

& Co., 120 Broadway, New York 5, N. Y.

Chicago Traction System — Memorandum—**Kitchen & Co.**, 135 South La Salle Street, Chicago 3, Illinois.

Christiana Securities — Bulletin **Laid, Bissell & Meeds**, 120 Broadway, New York 5, N. Y.

Consolidated Edison Co. of New York—Analytical study—**Kidder, Peabody & Co.**, 17 Wall Street, New York 5, N. Y.

Continental Bank & Trust Co.—Late bulletin — **Laird, Bissell & Meeds**, 120 Broadway, New York 5, N. Y.

Cross Co. Common Stock—Analysis of reasons for considering this an attractive low-priced situation—**F. H. Koller & Co., Inc.**, 111 Broadway, New York 6, N. Y.

Also available are memoranda on **Liquidometer Corp., Great American Industries, Hartman Tobacco** and **New Bedford Rayon.**

Federal Water & Gas Corp.—Study of liquidation proceedings —**Sills, Minton & Co., Inc.**, 209 South La Salle Street, Chicago 4, Illinois.

Flour Mills—Descriptive circular—**J. F. Reilly & Co.**, 111 Broadway, New York 6, N. Y.

Also available is a circular on **Foundation Co.**

Four Wheel Drive Auto Company—Four-page illustrated brochure, for dealers only—**Comstock & Co.**, 231 South La Salle Street, Chicago 4, Ill.

Garrett Corporation—Brochure and statistical information, available to dealers—**Fred W. Fairman & Co.**, 208 South La Salle Street, Chicago 4, Ill.

General Industries Co.—Recent report — **Mercier, McDowell & Dolphyn, Buhl Building**, Detroit 26, Mich.

Also available a report on **National Stamping Co.**

Globe American Corp. — Brochure discussing attractive position and post-war outlook—**Kneeland & Co.**, Board of Trade Building, Chicago 4, Ill.

Howell Elec. Motors—Circular —**Adams & Co.**, 231 South La Salle Street, Chicago 4, Ill.

Kingan Company — Descriptive circular—**C. E. de Willers & Co.**, 120 Broadway, New York 5, N. Y.

Also available is a memorandum on **Macfadden Pub. Inc.** and **Sterling Engine.**

Laclede - Christy Company — Memorandum available — **Herzog & Co.**, 170 Broadway, New York 7, N. Y.

Lea Fabrics—Discussion of interesting post-war situation — **Dunne & Co.**, 25 Broad Street, New York 4, N. Y.

Lipe Rollway Corporation—Circular—**Herrick, Waddell & Co., Inc.**, 55 Liberty Street, New York 5, N. Y.

Magnavox Company—Brochure and statistical information, available to dealers—**Fred W. Fairman & Co.**, 208 South La Salle Street, Chicago 4, Ill.

P. R. Mallory & Co., Inc.—Analytical discussion — **Steiner, Rouse & Co.**, 25 Broad Street **New York 4, N. Y.**

Mid Continent Airlines, Inc., memorandum—**Kitchen & Co.**, 135 South La Salle Street, Chicago 3, Ill.

National Radiator Co.—Analysis, for dealers only—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

Nekoosa-Edwards Paper Co.—New Memorandum—**Loewi & Co.**, 225 East Mason Street, Milwaukee 2, Wis.

New York Curb Exchange Common Stocks With Long Dividend Records—Tabulated list—**Herbert E. Stern & Co.**, 30 Pine Street, New York 5, N. Y.

Panama Coca-Cola—Discussion of this situation—**Hoit, Rose & Troster**, 74 Trinity Place, New York 6, N. Y.

Pfaudler Co. — Recent analysis discussing outlook for the company which manufactures glass lined and stainless steel tanks and equipment — **Caswell & Co.**, 120 South La Salle Street, Chicago 3, Ill.

Pittsburgh Railways — Current study—**First Colony Corporation**, 70 Pine Street, New York 5, N. Y.

Public National Bank & Trust Company—Analysis and current notes—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

Reed Drug Co.—Discussion of class A convertible stock for income and possible appreciation, and the common stock as a speculation—**First Colony Corporation**, 70 Pine Street, New York 5, N. Y.

Schenley Distillers Corporation —Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation** 350 Fifth Avenue, New York 1 N. Y.

Seaboard Railway Company—Complete arbitrage proposition on request—**Sutro Bros. & Co.**, 120 Broadway, New York 5, N. Y.

Segal Lock—Post-war outlook—**Simons, Linburn & Co.**, 25 Broad Street, New York 4, N. Y.

Sheller Manufacturing Corp.—Descriptive memorandum—**Ames, Emerich & Co., Inc.**, 105 South La Salle Street, Chicago 3, Ill.

Standard Dredging Corp. and Subsidiaries—Analysis of outlook —**Brailsford & Co.**, 208 South La Salle Street, Chicago 4, Ill.

TACA Airways SA.—Discussion of attractive prospects for return and appreciation—**Ward & Co.**, 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

Du Mont Laboratories "A"; Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scovill Mfg.; Riley Stoker; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Hortford-Empire; Maine Central Pfd.; Moxie; Southeastern Corp.; United Piece Dye Works; Detroit Harvester; Boston & Maine; Buda Co.; Federal Machine & Welding; Gleaner Harvester; Liberty Aircraft Products; Lamson - Sessions; Berkshire Fine Spinning, Bowser, Inc.; New Jersey Worsted; Mohawk Rubber Co., and **P. R. Mallory.**

Tide Water Power Co.—Analysis—**Ira Haupt & Co.**, 111 Broadway, New York 6, N. Y.

Van Dorn Iron Works—Report —**Hughes & Treat**, 40 Wall Street, New York 5, N. Y.

Wellman Engineering Co.—Descriptive circular — **Simons, Linburn & Co.**, 25 Broad Street, New York 4, N. Y.

Whiting Corp.—Special report —**J. Arthur Warner & Co.**, 120 Broadway, New York 5, N. Y.

Clyde Poreclain Steel Bond Issue Offered

Kobbe, Gearhart & Co., Inc., and Newburger & Hano on May 29 offered $500,000 15-year 5½% mortgage sinking fund convertible bonds due April 1, 1960, of the Clyde Porcelain Steel Corp. The bonds are priced to the public at 100% plus accrued interest.

Of the proceeds to be received from the sale of these bonds, $150,000 will be used for additions to present plant facilities; $100,000 will be used for additional equipment, and the balance will be added to working capital.

The bonds are convertible at the option of the holder into common stock on the basis of 20 shares of common for each $100 principal amount of bonds for conversions made up to and including April 1, 1950; 15 shares of common up to and including April 1, 1955, and 10 shares of common thereafter to maturity.

Tomorrow's Markets Walter Whyte Says——

(Continued from page 2394)

noticeable that the rails either stood still or showed a tendency to go up.

This was the first time in weeks that the rails displayed that kind of action. Up to then they were in the forefront of any decline. During any rally the rails stood still. For some reason Thursday showed rails in a different light. Traders who watch the tape saw in this a clue as to the direction of the next move.

Further confirmation of this reversal came the following day, Friday. For on that day the industrials hit the 164 level at least two more times. The first was at 11 a.m. and again at 1 p.m. By the time 3 p.m. rolled around they were across 165. During the same hours the rails were acting still better. After having closed Thursday at 55.97, they opened Friday at 56.15 and finished with 57.02, having made a high during the day of 57.15.

Monday saw almost a repetition of the last few hours of the previous week, except that the rail leadership which had previously given minor signs of taking over now really pushed to the fore. Monday's close saw the rails at 58.29—a new high.

As if not to be caught lacking at this point, the industrials also got into the race. Before Monday was over they had hit 168.75 and closed at 168.21. No longer were there any indications of divergence. Both averages acted as a unit. Both made new highs.

All this flip-flop shows at least one thing—so far as the industrials are concerned. The 164 point which they hit a number of times is apparently a level to be reckoned with. What made them hold at that point is something else again. But that they would hold was indicated by the action of the other average—the rails. For, you may recall it was the rails which pointed to lower all-around prices. It is possible that the ICC decision of two weeks ago changing sectional freight costs was the piece of news the rails were anticipating in their setbacks. When the news became public the rails stopped going down. And once the pressure was off they started up.

In last week's column I wrote that "a market which has indicated a move in a certain direction will paradoxically move in the opposite direction." You saw this happen in the past week. Applying what seems to be logic based on past performance, bullish indications should now go the other way. It is possible that they will work out that way. I don't however see any such indications at this writing. Frankly I don't see much of anything right now but some hesitation and then more up. There is one thing that may upset the whole thing; the amount of buying the public is willing to do. It isn't any secret that many people sold on the last reaction in the expectation of still lower prices. Most of these sellers are now waiting to re-enter the market at lower levels. Rank and file is seldom patient. And with present action patience becomes extremely hard to exercise. So it is possible that the waiters-for-lower-levels will jump in here. In any event I think it's wisest to wait and see. Meanwhile you have a nice profit in at least one stock—Hudson Motors. You bought it at 18; stopped out at 28, giving you a profit of about 10 points. You still hold Jones & Laughlin at 29 with a stop at 30; U. S. Rubber at 56 with a stop at 57. Latter hit twice but didn't break. Last is U. S. Steel at 56 with a stop at 65. Hold all positions.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Eversharp Inc. Debentures Placed on Market

Lehman Brothers and associates on May 25 offered $3,000,000 Eversharp, Inc. 4½% cumulative convertible income debentures, due May 1, 1965, at 103 and accrued interest from May 1. The debentures are convertible into common stock at $40 per share. Other members of the offering group are: Bacon, Whipple & Co., Blyth & Co., Alex. Brown & Sons, Eastman, Dillon & Co., Hallgarten & Co., Ira Haupt & Co., Joseph & Co., Merrill Lynch, Pierce, Fenner & Beane; Irving J. Rice & Co., I. M. Simon & Co. and Stix & Co.

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Practical Aspects of Foreign Trade Financing

(Continued from page 2391)

lishment of an International Bank for Reconstruction and Development and for an International Monetary Fund. The purpose of the bank is to make long term productive foreign loans out of its own funds and to guarantee such loans made through the investment market. The purpose of the International Monetary Funds is to assist member countries to maintain stable exchange rates and to eliminate restrictions on trade such as foreign exchange regulations, quotas, import embargoes, multiple currency arrangements and other harmful practices. The Bretton Woods agreements now before Congress have been widely discussed in the press and by financial and trade organizations. These proposals deal with the broad international problems of post-war financing and of exchange stability. My discussion today is devoted to our own problems in the financing of our foreign trade.

Most countries will be able to finance their purchases here with the accumulated large stocks of gold and foreign exchange, the total of which is now estimated at twenty billion dollars, four times larger than at the end of the last war. These funds together with the dollars created through our imports which should reach ten billion dollars per annum in goods and service, will furnish the money for purchases in our country. The gold and foreign exchange holdings are, of course, not evenly distributed between all countries. **The Latin-American countries have now reserves of about three and one-half billion dollars. The largest reserves of gold are accumulated by Argentina—939 million dollars, Brazil—297 million dollars, Mexico—220 million dollars and Uruguay—148 million dollars.**[1] **Large accumulations of gold and foreign exchange are held by Switzerland, the Netherlands, France, Sweden, Turkey and others. Not all of the European countries, however, will be able to re-establish their foreign trade without outside assistance, particularly countries that have suffered most from looting by the Germans.**

The Board of Economic Warfare estimated in 1943 that the Nazi spoils from conquered countries have reached thirty-six billion dollars by the end of 1941. The Nazi authorities have followed up each conquest of a nation by ordering all inhabitants to report their holdings in foreign currency, securities and participations in foreign companies, including banks. These were transferred to the National Bank of the Country and the National Bank was placed under the German Reichsbank. There was hardly a bank in Nazi conquered Europe that was not a subsidiary of the German banking system. They had reached down to every small depositor, every small shareholder and even all safety deposit boxes. Their methods included the acquiring of shareholdings, the creating of companies of mixed German and native ownership and the manipulation of credit and clearing arrangements. They have obtained control over the industries of Europe through the banks which normally participated in enterprises through share ownership.[2] It is doubtful whether all this property can be traced and returned to the rightful owners.

Normal Foreign Trade Financed by Banks

While financial assistance for the re-establishment of the economy of affected countries will require international arrangements, normal export and import transactions will be financed by banks. It is a more desirable arrangement than government financing since in private trade, each transaction must be of a self-securing and self-liquidating character. A bank extending a loan carefully considers the capacity of the buyer to pay on the agreed terms. There are ample commercial banking facilities in our country for the financing of post-war foreign trade. Our deposits have reached an all-time high mark and we can extend commercial credit with great ease. The acceptance capacity of our banks exceeds two billion dollars and as the average acceptance runs for a period of three or four months, our banks can furnish acceptance accommodations in excess of six billion dollars yearly for the financing of exports and imports.

Banking facilities will be extended through the establishment of Letters of Credit, the discounting of bills and through warehouse financing. Letter of Credit financing will play an important role in our post-war trade, as it is an arrangement advantageous to all concerned. It enables the seller to obtain funds as soon as shipment is made, it enables the buyer to obtain credit for the financing of the transaction by the use of the purchased boods as security and it provides the cheapest method of financing the movement and distribution of commodities. A Letter of Credit is a flexible instrument and can be arranged to finance goods in transit, or during the time required for distribution through the channels of trade, or to furnish funds for the purchase and assembling of the goods by the shipper. The standard Red Clause in Letters of Credit permits advances to shippers against their receipt and undertaking to furnish shipping documents before the expiration of the credit. The Red Clause can be so arranged to permit the advance of funds for the manufacturing and processing of goods. In recent years, because of the lack of transportation, export Letters of Credit frequently authorized negotiation against a Certificate of Manufacture. This type of Letter of Credit enables the manufacturer to receive payment as soon as the goods are ready at the factory.

An exporter shipping under an irrevocable Letter of Credit must, however, carefully examine his credit and be certain that he can furnish the stipulated documents in the form described. A Letter of Credit is an undertaking by a bank to pay if certain conditions are fulfilled, and unless the conditions are carefully followed, it affords no protection. The bank has no discretionary powers and must follow the instructions of the buyer. Lack of careful consideration of the requirements of the credit by the exporter and failure to present the documents in the forms specified may lead to disputes and losses.

The courts in this country and in England have repeatedly held that the person who ships in reliance on a Letter of Credit must do so in exact compliance with its terms. They also held that a bank is not bound or entitled to honor the drafts unless the accompanying documents are in strict accord with the credit as established.

An importer purchasing goods abroad under an Import Letter of Credit must base the transaction upon his confidence in the seller because the bank establishing the credit agrees to pay upon presentation of documents, not goods. Banks assume responsibility only for the documents required by the buyer and will not honor drafts unless the documents are in strict accord with the terms of the credit, they assume no responsibility for the quality or quantity of the goods. Banks, as a rule, limit their liability with regard to the merchandise by inserting in the Letter of Credit agreement, signed by their customer, a clause reading approximately as follows:

Neither you (the bank) nor your correspondents shall be responsible for the existence, character, quality, quantity, condition, packing, value or delivery of the property purporting to be represented by the documents, or for any difference in character, quality, condition, or value of the property from that expressed in the documents.

The importer, however, through proper documentation, can minimize these risks. He can request a Weight Certificate issued by a competent agency. He can appoint a representative to examine the merchandise and can incorporate in the Letter of Credit a request for a Certificate of Analysis or Quality by the designated person. Documents of this latter type have been obtained in some instances, and if this practice schould be adopted, it may become the function of special international organizations to examine and certify shipments. The Certificate of Quality may eventually become a standard document that will be required by importers as well as by banks.

It is obvious from the foregoing that the best protection of the exporter and importer is the integrity of the buyer or seller, whose credit and moral standing should be carefully checked before relations are established and periodically checked thereafter.

Very few foreign merchants supply statements as to their financial responsibility and information must therefore be obtained from indirect sources. There are several concerns in the United States that supply such information. Banks maintaining foreign departments, as a rule, are in a position to check foreign names. They either maintain their own files or can obtain the required data from their correspondents. A good source of credit information is the Commercial Intelligence Unit of the United States Department of Commerce, which maintaines files on some 800,000 commercial establishments abroad.[3]

Foreign Trade Controls

In dealing with foreign buyers and sellers, consideration must be given to outside influences, such as the political and economic situation of the country, commercial laws and foreign exchange regulations. It is frequently found that even when the buyer is of good standing and pays promptly for his purchase, foreign exchange restrictions prevent the remittance of the American dollars to the exporter. Prior to the war, thirty-eight nations had imposed restrictions of one nature or another which have materially affected trade between nations. These countries arbitrarily prevented payment for current commercial transactions by restricting the transfer of funds. They have entered into exclusive commercial agreements and barter transactions, special tariff adjustments, and specific agreements. In 1933, there were 180 such agreements between countries governing all phases of international trade. In June of 1933 two countries entered into an agreement, trading tourist revenue for imports of hogs, the basis being $40 per hog and $60 per tourist.[4]

Germany was one of the first countries to establish an elaborate system of quotas, restrictions and special types of currencies for foreign trade. In 1938, there were sixteen kinds of German Marks and the use of each was subject to elaborate regulations.

The removal of control measures on the transfer of funds and restrictions on imports are essential to normal foreign trade. However, we cannot expect a sudden change-over because the period following the war will be dominated by scarcity of materials and the necessity of using available funds and credit for most essential needs. We must, therefore, anticipate that certain control measures will be retained until the machinery of international trade adjusts itself to new conditions.

Interesting opinion with regard to Government controls was expressed at the International Business Conference held in November, 1944, at Rye, New York, at which 52 nations were represented. The report of the Section on Commercial Policy contained the following statement:

"In the post-war transition period many of the restraints to which productions, distribution and consumption have been subjected during the war period may have to be retained, particularly in those countries which have suffered severely during the war. It is essential, however, that this period should not be prolonged to a point where control is maintained for control's sake."

The need for relaxing the restrictions on trade throughout the world is recognized by our Congress. The Special Committee on Post-war Commercial Policy and Planning suggested, in a recent report, that an International Business Conference be called as soon as practicable to consider not only reduction of tariffs but also the removal of controls that interfere with the movement of goods between countries.

We are entering the post-war era with a better understanding of the requirements of the rest of the world. We possess more knowledge than we did after the last war, and there is closer international co-operatiton. Let us hope that our future foreign trade will be conducted on a realistic and sound basis and that the establishment of a durable peace will make it possible for the entire world to raise the standard of living and provide full employment through mutual confidence and assistance.

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[1] **The Monetary Bulletin of Statistics No. 1A, 1945,** League of Nations Economic and Financial Department, Princeton, New Jersey.

[2] **Victory Bulletin,** Office of War Information, May 19, 1943.

[3] **Foreign Commerce Weekly,** U. S. Department of Commerce, Aug. 5, 1944, p. 8.

[4] Address by George N. Peck, Foreign Trade Conference, Chicago, October 17, 1934.

From Paris to New York in Two Hours—Predict French Engineers

Paris to New York in two hours! Incredible? Not at all.

At the recent Aviation Conference, in Paris, a noted French engineer predicted that soon stratosphere planes with cruising speeds of more than 1,000 miles per hour would be able to accomplish this feat. Not only would passengers cross the Atlantic in this brief time, but freight could also be carried either by a convoy of gliders attached to a jet or rocket plane or by giant freight planes. In this way perishable goods could be safely exported in the shortest possible time.

Already undergoing final test flights at the French naval base of Biscarosse, under the supervision of Chief Pilot Crespy, the Latecoere 631, a huge six-engined hydroplane, will soon be in operation between Paris and New York. Not a stratosphere model, the Latecoere will require 24 hours to cross the Atlantic. She will carry 40 passengers, a crew of 10, 6,614 pounds of freight, and several hundred pounds of luggage.

The first model of this 10,000-horsepower plane was stolen during the occupation by the Germans and taken to Lake Constance for testing. There it was blown to bits by Allied bombs. Meanwhile a second model was carefully dismantled in the factories of Toulouse and the parts carefully hidden in the home of a French admiral in a suburb of the city. After the liberation the hidden model was reconstructed for testing. Today six others are being constructed as the nucleus of a safe and luxurious trans-Atlantic passenger air line.

Plans are also being made for large-scale production of jet and rocket propelled planes. As early as 1938 jet and rocket motors had already been studied and built for the French Navy, but war and German occupation interrupted scientific research in this field.

With G. Brashears & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Hyrum R. Archibald** is now associated with **G. Brashears & Company**, 510 South Spring Street. Mr. Archibald was previously with Bancamerica Company and First California Company.

Real Estate Securities

(Continued from page 2395)

1934	$9,916.32
1935	39,993.69
1936	34,910.89
1937	8,827.65
1938	15,622.16
1939	21,079.15
1940	22,577.15
1941	24,396.15
1942	32,064.88
1943	7,193.25
Total	$216,581.29

On Dec. 29, 1944, there was paid unto the Sequestrator the sum of $20,000 on account of these delinquent taxes, thereby reducing the delinquent tax liability to $196,581.29.

Percentage of occupancy above the first floor on Dec. 31, 1943, was 59%.

Percentage of occupancy above the first floor on Dec. 31, 1944, was 84.46%.

Percentage of occupancy on Dec. 31, 1944, for the entire building was 86.08%.

On April 27, 1944, the Court of Common Pleas No. 5 of Philadelphia County, as of December Term, 1937, No. 16343, appointed a Sequestrator of rents, issues and profits from the said property, under the Act of Map 16, 1923, P.L. 207, as amended by the Act of 1935, P.L. 673.

Report of Income and Disbursements

	Gross Receipts	Operating Expense	Net Income	Insurance, Taxes, etc.	Cash Balance
Sept. 1, 1936	-----	-----	-----	-----	$5,725.52
Sept. 1, 1936, to Dec. 31, 1936	$30,169.45	$18,739.61	$11,429.84	$12,603.39	4,551.97
Year 1937	86,489.44	54,583.76	31,905.68	36,492.96	*35.31
Year 1938	83,003.21	56,885.89	26,117.32	26,249.93	*167.92
Year 1939	80,399.00	54,657.01	25,741.99	24,172.30	1,401.77
Year 1940	78,543.27	58,136.84	20,406.43	20,807.11	1,001.09
Year 1941	71,344.01	56,440.39	14,903.62	15,985.25	*80.54
Year 1942	96,416.93	82,511.47	13,905.46	8,863.99	4,960.93
Year 1943	112,043.83	69,333.86	42,709.97	31,390.04	16,951.26
Year 1944	125,030.24	75,710.25	49,319.99	56,094.31	10,176,94

*Denotes red figures.

Calendar Of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

SATURDAY, JUNE 9

HAYDOCK FUND, INC., has filed a registration statement for 20,000 shares of capital stock (no par).

Address—1201 First National Bank Building, Cincinnati, O.

Business—Investment company of the diversified, open-end, management type.

Underwriting—None named.

Offering—Shares are issued at the existing net asset value.

Proceeds—For investment.

Registration Statement No. 2-5749. Form S-5. (5-21-45.)

MONDAY, JUNE 11

FIDELITY INVESTMENT ASSOCIATES, INC., filed a registration statement for 15,949 shares of capital stock, par $10.

Address—60 State Street, Boston, Mass.

Business—Investment company.

Management—Subject to the general supervision of its board of directors, the investments of the corporation are under the management of Carret, Gammons & Co.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5750. Form S-5. (5-23-45.)

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMERICAN ENGINEERING CO. on Feb 27 filed a registration statement for $3,000,000 5% 15-year sinking fund debentures and 200,000 shares of common stock. Of the stock registered 132,000 shares are issued and outstanding and being sold by stockholders.

Details—See issue of March 8.

Offering—The debentures will be offered at 100 and the common stock at $8.50 per share

Underwriters—Van Alstyne, Noel & Co heads the underwriting group, with the names of others to be supplied by amendment.

ARKANSAS-MISSOURI POWER CORP. on Dec. 4 filed a registration statement for $2,000,000 first mortgage bonds, series A, 3⅛%, due Dec. 1, 1974.

Details—See issue of Dec. 7, 1944.

Offering—The bonds will be offered for sale at competitive bidding.

ATLANTIC CO. on March 23 filed a registration statement for $10,600,000 5% sinking fund debentures, due April 1. 1980. and 274,868 shares of common stock (no par).

Details—See issue of March 29.

Offering—Under reorganization and recapitalization plan company is offering to the holders of outstanding 6% cumulative preferred stock the privilege of exchanging their shares on the basis of $100 par value of stock for $100 par value of 5% debentures and one share of common stock; to holders of 7½% cumulative preferred stock the privilege of exchanging their shares on basis of $100 par value of preferred stock for $100 of debentures and 5 shares of common and to holders of outstanding 6% Class A preference stock the privilege of exchanging their shares on the basis of $50 par value of stock for $50 par value of 5% debentures and two shares of common stock.

The holders of the 6% preferred and 6% Class A stock offering their stock for exchange shall receive dividends on April 1, 1945, at the same rate of dividends paid on the stock on Jan. 1, 1945, but shall receive no dividends thereafter, the debentures bearing interest from such date.

Any debentures not issued in exchange for stock shall then be offered to holders of presently outstanding first mortgage 5% sinking fund bonds on the basis of $100 par of debentures plus an amount not exceeding $3 in cash for each $100 par value of bonds exchanged. The 5% sinking fund bonds are callable at 103. All of the outstanding 5% sinking fund bonds not exchanged for debentures and all of the first mortgage 3% serial bonds shall be called for redemption.

The company contemplated that about June 1, 1945, it will issue not exceeding $3,400,000 3% notes and use the proceeds either for the purpose of calling all 3% serial bonds and the outstanding unexchanged 5% sinking fund bonds or to reimburse the company for funds previously used for that purpose. Any debentures not taken in exchange for stocks or bonds may be sold by the company at not less than par plus accrued interest.

Underwriter—Courts & Co., Atlanta, is named as underwriter.

CENTRAL OHIO LIGHT & POWER CO. on Dec. 28 filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment.

Details—See issue of Jan. 4, 1945.

Offering—Company proposes to invite proposals for services to be rendered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer.

COVENTRY GOLD MINES, LTD. on April 21 filed a registration statement for 333,333 shares of common stock.

Details—See issue of April 26.

Offering—Price to the public is 30 cents per share.

Underwriters—None named. The company proposes to market its own securities.

ELECTROMASTER, INC. on March 29 filed a registration statement for 107,923 shares of common stock, par $1. All of the stock is issued and outstanding and is owned by Nash-Kelvinator Corp. (being 55.17% of total outstanding stock).

Details—See issue of April 5.

Offering—Offering price to the public is $8 per share.

Underwriters—S. R. Livingstone & Co., and Mercier, McDowell & Dolphyn, both of Detroit.

EUREKA VACUUM CLEANER CO. on April 30 filed a registration statement for 122,500 shares ($5 par) common stock.

Details—See issue of May 10.

Offering—The price to the public will be filed by amendment.

Underwriters—Hornblower & Weeks and Kebbon, McCormick & Co. are named principal underwriters.

GASPE OIL VENTURES, LTD., on May 8 filed a registration statement for 1,500,000 shares of common stock ($1 par) and 200,000 common share purchase warrants and 200,000 shares of common reserved for warrants.

Details—See issue of May 17.

Business—Exploration and development of oil wells.

Offering—Price to the public is 60 cents per share. The underwriter will receive purchase wararnts for the purchase of 2,000 shares of common for each 15,000 shares of common stock sold in the offering at a price of 45 cents per share.

Underwriter—Tellier & Co.

A. HARRIS & CO. on April 23 filed a registration statement for 7,000 shares of 5½% cumulative preferred stock (par $100).

Details—See issue of April 26.

Offering—The new preferred will be offered initially to the common stockholders at $100 per share on the basis of one share of preferred for each share of common. Any shares not subscribed will be offered pro rata to the former holders of the 7% preferred shares which shares have been called for redemption on May 1, 1945. Any balance will be offered to the public by the underwriter at $102.

Underwriters—Dallas Rupe & Son of Dallas, Texas.

LAISTER-KAUFFMAN AIRCRAFT CORP. on April 19 filed a registration statement for 17,702 shares first preferred stock, 6% cumulative (par $25), 262,314 shares class A common (par $1), 250,000 shares class B common (par 5 cents) and 260,136 shares class C common (par 5 cents).

Details—See issue of April 26.

Underwriters—John R. Kauffman Co. is named principal underwriter.

MAJESTIC RADIO & TELEVISION CORP. on April 24 filed a registration statement for 69,965 shares of common stock, one cent par value. Of shares registered 66,965 are already issued and outstanding and being sold by certain stockholders and 3,000 shares will be issued by Majestic upon exercise of an option at $2 per share.

Details—See issue of May 3.

Offering—Price to the public will be filed by amendment.

Underwriters—Kobbe, Gearhart & Co., Inc., is named principal underwriter.

MORRISON-KNUDSEN CO., INC., April 12 filed a registration statement for 4,000 shares series M 5% and 3,000 shares series N 6% cumulative preferred stocks both $100 par value.

Details—See issue of April 19.

Offering—The preferred stock will be sold at par.

Underwriters—Wegener & Daly, Inc. Idaho, is underwriter for the preferred stock.

NU-ENAMEL CORP. on March 30 filed a registration statement for 50,000 shares 60-cent cumulative dividend convertible preferred stock, par $5.

Details—See issue of April 5.

Offering—Company is initially offering new preferred to holders of its common stock for subscription at $10 per share on basis of one share of preferred for each 6½ shares of common. Unsubscribed shares will be offered to public by underwriter at $10 per share.

Underwriters—Floyd D. Cerf Co. of Chicago, is named principal underwriter.

PACIFIC GAS & ELECTRIC CO. on May 4 filed a registration statement for 700,000 shares of common stock (par $25). The shares are owned by the North American Co. which is offering them.

Details—See issue of May 10.

Awarded May 22 to Blyth & Co., Inc. at $36.76 7/10 per share.

The SEC on May 23 refused to approve the bid, stating that competition had "been stifled."

POTOMAC EDISON CO. on April 19 filed a registration statement for 63,784 shares of 4½% preferred stock (par $100).

Details—See issue of April 26.

Offering—The company will offer the 63,784 shares of preferred stock in exchange for the 29,182 shares of 7% and 34,602 shares of 6% preferred stock now outstanding on a share for share basis with a dividend adjustment in each case and $5 in cash for each share of 7% preferred stock exchanged.

Underwriters—The company has retained Alex. Brown & Sons as dealer-manager to aid it in obtaining acceptances of the exchange offer.

FRED B. PROPHET CO. April 17 filed a registration statement for 100,000 shares of common stock (par $1). Shares are issued and outstanding and are being sold by Fred B. Prophet, President, Treasurer and Director.

Details—See issue of April 26.

Offering—Of the shares registered the underwriters have purchased 86,500 which will be offered to the public at $6.25 a share. The remaining 13,500 shares will be offered by Mr. Prophet to officers, directors and employees of the corporation at $5.25 a share. Any of the 13,500 shares not purchased by such officers, etc., will be purchased and offered to the public by the underwriters at $6.25 a share.

Underwriters—Smith, Hague & Co., Detroit, and Straus & Blosser, Chicago, are named principal underwriters.

RICHMOND RADIATOR CO. on May 11 filed a registration statement for 333,333 shares of common stock (par $1).

Details—See issue of May 17.

Offering—The company is offering to holders of its common stock of record at the close of business May 31, 1945, the 333,333 additional shares of common at $3 per share, in the ratio of one share for each two shares held. Reynolds Metals Co., which owns 61.47% of the common stock of Richmond, will, if necessary, waive rights to the extent required to provide shares for stockholders other than itself, since on a mathematical basis the stockholders, including Reynolds, would be entitled to about 97/100 of a share for each two shares. Otherwise Reynolds will subscribe to its full share, and will also purchase at $3 per share any stock not subscribed for by other stockholders. The rights to subscribe will expire July 5.

Underwriters—None named.

ST. JOSEPH LIGHT & POWER CO. on Feb. 28 filed a registration statement for 13,056 shares of Class A 5% cumulative preferred stock, par $100.

Details—See issue of March 8.

Offering—The company is offering 13,056 shares of its Class A 5% preferred shares in conversion share for share of the outstanding 5% cumulative preferred shares held by others than Cities Service Power & Light Co.

Underwriters—The company has retained Estabrook & Co., G. H. Walker & Co. and Prescott, Wright, Snider Co. as exchange agents to secure and procure consents of preferred shareholders to the conversion.

The company also proposes to refund the $4,806,000 first mortgage bonds, 4½% series due 1947 and to reduce the aggregate principal amount of its indebtedness to $3,750,000 by redeeming the outstanding bonds and issuing $3,750,000 of new bonds. **The bonds will be sold at competitive bidding.**

SOUTHWESTERN ELECTRIC SERVICE CO. April 18 filed a registration statement for $2,375,000 first mortgage bonds, 3⅜% series due 1975; 8,500 shares 4¾% cumulative preferred stock (par $100) and 128,935 shares of common (par $1).

Details—See issue of April 26.

Offering—Holders of the outstanding common stock of Southwestern Public Service Co. will be given the right to subscribe to the 128,935 shares of common at the rate of one share of common of Southwestern Electric for each five shares of common of Southwestern Public Service. The subscription price will be filed by amendment. The public offering price of any unsubscribed common and of the bonds and preferred stock will be filed by amendment.

Underwriters—To be filed by amendment.

SOUTHWESTERN INVESTMENT CO. on March 12 filed a registration statement for 12,500 shares preferred stock, convertible, no par, non-participating with cumulative dividend rights of $1 per share per annum, and 60,000 shares of common, no par. Of the latter 20,000 shares is to be reserved to meet conversion requirements of the preferred.

Details—See issue of March 15.

Offering—Holders of the $1.20 preferred stock have been given the option to exchange their stock on a share for share basis for the $1 preferred stock. Any of the $1 preferred not issued in exchange will be offered to the public at $20 per share. Corporation also is offering 11,822 authorized but unissued shares of common at $12.50 per share.

Underwriters—None named.

UNIVERSAL CAMERA CORP. on March 19 filed a registration statement for 663,500 shares Class A common stock, par value one cent a share, with Class A common stock purchase warrants. Of the total 530,500 are issued and outstanding and are being sold by certain stockholders.

Details—See issue of March 29.

Offering—The initial offering price is $5 per share. Of the 133,000 shares being offered for account of company, 20,000 are to be offered to employees at $4.25 per share. Shares not subscribed for by employees will be sold to public through underwriters along with the rest of the public offering. For every ten shares of common stock bought, purchasers, other than employees, will receive warrants to subscribe to one share of common stock, at $5 per share, on or before Dec. 31, 1948. Employees will receive such warrants for each five shares of common stock purchased.

Underwriters—Floyd D. Cerf Co. is named principal underwriter.

Hearings on stop order proceedings were held before the SEC on April 25.

With Dempsey-Tegeler

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Herbert C. Glover** has become associated with **Dempsey-Tegeler & Co.**, 407 North Eighth Street. In the past Mr. Glover with with Francis, Bro. & Co. for a number of years.

DIVIDEND NOTICES

AMERICAN LOCOMOTIVE COMPANY

30 Church Street Alco New York 8, N. Y.

PREFERRED DIVIDEND NO. 148
COMMON DIVIDEND NO. 78

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of thirty five cents (35¢) per share on the Common Stock of this Company have been declared payable July 2, 1945 to holders of record at the close of business on June 6, 1945. Transfer books will not be closed.

May 24, 1945

CARL A. SUNDBERG, *Secretary*

THE ATLANTIC REFINING CO.

PREFERRED DIVIDEND NUMBER 37

At a meeting of the Board of Directors held May 28, 1945, a dividend of one dollar ($1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable August 1, 1945, to stockholders of record at the close of business July 5, 1945. Checks will be mailed.

W. M. O'CONNOR
Secretary

May 28, 1945

ARKANSAS WESTERN GAS COMPANY

Dividend Notice

Common Stock

The Board of Directors of Arkansas Western Gas Company has declared a dividend of twenty cents (20c.) per share on the Common Stock, payable June 15, 1945, to stockholders of record at the close of business on June 1, 1945. Checks will be mailed from the First National Bank of Chicago on or about June 15, 1945.

L. L. BAXTER, President

ANACONDA COPPER MINING CO.
25 Broadway
New York 4, N. Y., May 24, 1945.
DIVIDEND NO. 148

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Fifty Cents (50c) per share upon its Capital Stock of the par value of $50. per share, payable June 25, 1945, to holders of such shares of record at the close of business at 3 o'clock P.M., on June 6, 1945.

C. E. MORAN, Secretary

DU PONT E. I. du Pont de Nemours & Company

Wilmington, Delaware: *May 21, 1945*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable July 25, 1945, to stockholders of record at the close of business on July 10, 1945; also $1.25 a share, as the second interim dividend for 1945, on the outstanding Common Stock, payable June 14, 1945, to stockholders of record at the close of business on May 28, 1945.

W. F. RASKOB, *Secretary*

C.I.T. FINANCIAL CORPORATION

formerly
Commercial Investment Trust Corporation

Common Stock Dividend

A quarterly dividend of 50 cents per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable July 1, 1945, to stockholders of record at the close of business June 9, 1945. The transfer books will not close. Checks will be mailed.

JOHN I. SNYDER, *Treasurer.*

May 24, 1945.

CITY INVESTING COMPANY

30 BROAD STREET, NEW YORK 4. N. Y.

May 24, 1945

The Board of Directors has this day declared the regular quarterly dividend of $1.375 per share on the 5½% Series Cumulative Preferred Stock of the Company, payable on July 1, 1945 to stockholders of record at the close of business on June 18th, 1945. Checks will be mailed.

G. F. GUNTHER, Secretary

Allied Chemical & Dye Corporation

61 Broadway, New York

May 29, 1945

Allied Chemical & Dye Corporation has declared quarterly dividend No. 97 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable June 20, 1945, to common stockholders of record at the close of business June 8, 1945.

W. C. KING, *Secretary*

A. HOLLANDER & SON, INC.

COMMON DIVIDEND

HOLLANDER DYED FURS

A dividend of 25¢ per share on the Common Stock has been declared payable June 15, 1945 to stockholders of record at the close of business on June 8 1945. Checks will be mailed

Newark, N. J.
May 28. 1945

Albert J. Feldman
Secretary

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

BEVERLY HILLS, CALIF.—**Clyde T. Edgington** has been added to the staff of **Boston Commonwealth Corporation**, 9631 Wilshire Boulevard.

(Special to The Financial Chronicle)

BEVERLY HILLS, CALIF.—**Irwin Spivey** has become connected with **Merrill Lynch, Pierce, Fenner & Beane**, 9520 Santa Monica Boulevard. Mr. Spivey was previously with E. F. Hutton & Co.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—**John P. Higley** has rejoined the staff of **Hayden, Miller & Co.**, Union Commerce Building. Mr. Higley has recently been serving in the armed forces.

(Special to The Financial Chronicle)

FORT WAYNE, IND.—**William T. Scheiman** has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane**, Old First Bank Building.

(Special to The Financial Chronicle)

GREENSBORO, N. C.—**Larry C. Lawrence** is with **Thomas Darst & Co.**, Southeastern Bldg.

(Special to The Financial Chronicle)

HOLLYWOOD, CALIF.—**William DeMyer Rains** is with **Merrill Lynch, Pierce, Fenner & Beane**, 6361 Hollywood Boulevard.

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"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The upward trend in Government bond prices continued through Tuesday, May 22nd. . . . Following the announcement of the resignation of the British wartime cabinet on Wednesday, May 23rd, the market turned down. . . . Profit taking was in evidence until near the end of the week, when the market improved as buying came into the longer taxable 2½s as well as the restricted obligations. . . .

The best acting issue in the market was the restricted 2¼s due 1956/59, which made a new all time high of 103 11/32nds and continued to be in demand at about that level. . . . The 2½s due 1967/72 also went to new all time high levels. . . .

SWITCHING

It was reported that switching was going on out of the 2s due 1949/51 and the 2s of 1950/52 into the 2¼s due 1956/59 by the savings banks, with some of the commercial banks selling these shorter 2s and reinvesting the proceeds in the 2s due 1952/54 and the 2½s dut 1967/72. . . .

PARTIAL EXEMPTS WEAK

The intermediate maturities of the partially exempts showed minor declines as did the longer maturities of these bonds. . . . It was reported that the insurance companits have been letting out some of these securities, with the commercial banks the principal buyers. . . .

Indications are that the supply of the partially exempts available for sale have increased recently, although trading so far has not been too heavy in these bonds. . . .

A somewhat easier tone was evident in both the notes and the certificates since these securities are still being sold with the proceeds being put to work in the intermediate and longer maturities of the taxable bonds. . . .

INVENTORY BUYING

According to reports dealers continue to build up inventories with positions being taken in practically all issues, ranging from the shorter to the longest maturities. . . . The figures on loans to brokers and dealers for carrying Government bonds, by the member banks, have shown an increase for the last seven weeks with a substantial jump reported for the week ended May 16th. . . . New York City member bank loans to dealers have been on the climb for the past eight weeks with a rise of $200,000,000 being reported for the period ended May 23rd. . . .

It was learned also that the dealers are in the process of making up their minds as to which of the two restricted issues, the 2¼s or 2½s, they will subscribe to in the larger amount during the drive. . . . Present indications are that the 2¼s will be the favored security in the drive subscriptions of this group. . . .

NEW YORK CITY BANKS

The New York City member banks were heavy buyers of Government bonds, according to figures made available for the week ended May 23rd. . . . Bills, certificates and notes were sold. . . . These institutions borrowed from Federal, in a substantial way, to add $141,000,000 of Government bonds to their holdings. . . . Some of these purchases were made during the period of the market decline, indicating that these banks took advantage of the price recession to build up their positions in the longer maturities. . . .

The sharp rally in the prices of Government bonds from May 17th, through May 22nd, was evidently due in a large measure to the buying of the New York City reporting member banks. . . .

The fact that these institutions borrowed $139,000,000 from Federal, to add to their holdings of Government bonds, along with the dealers, who increased their loans by $200,000,000 to build up inventories, probably means that the prices of May 15th will be an important resistance level to further declines. . . . This assumes, of course, no change in the Treasury's policy of financing. . . .

MAY 15TH PRICE BASE

It has been indicated for some time that investable funds were waiting for a market sell off to go to work, and that point evidently was reached on about May 15th. . . .

As a result the opinion is held that the prices of May 15th are the levels at which the banks and dealers will begin to add to their holdings and positions, in the event of a market decline. . . .

The prices at which some of the "trading favorites" sold at on May 15th are as follows:

2%	due	9/15/51/53	102.22
2%	due	6/15/52/54	102.22
2%	due	12/15/52/54	102.22
2½%	due	3/15/56/58	106.18
2¼%	due	9/15/56/59	102.26
2½%	due	9/15/67/72	103.7

SHORT TERMS LOSE FAVOR

The trend away from the shorter term low interest bearing issues into the longer term high coupon bonds has been going on for quite some time. . . . This is very evident in a comparison of the holdings of the New York City member banks at the close of the Sixth War Loan with those of May 23rd. . . . These positions show the following:

Security—	Dec. 20, 1944	May 28, 1945	Changes
Bills	$483,000,000	$117,000,000	—$366,000,000
Certificates	3,501,000,000	3,413,000,000	— 88,000,000
Notes	3,377,000,000	2,596,000,000	— 781,000,000
Bonds	7,789,000,000	8,386,000,000	+ 597,000,000

Holdings of bills are at the lowest point since the Sixth War Loan, with certificates below those reported at the end of the last drive despite an increase of more than $4 billions in the amount outstanding. . . . Notes are down sharply, a substantial part of which is due to retirements. . . . Nevertheless it is indicated that these institutions sold notes in addition to those lost through the repayment. . . .

Bonds were the only classification to show an increase. . . . These banks have been heavy buyers of Government bonds in the last five weeks. . . .

LONG-TERMS PREFERRED

For the week ended May 23rd, the New York City member banks reported a decrease of $13,000,000 in Government guaranteed obligations, indicating that these institutions sold some of their Home Owners' Loan 1½s. . . . The sesecurities have been called for payment on June 1, 1945. . . . It was reported that the banks let out these securities when the Treasury announced on May 20th that the Series "D" 0.90% notes due July 1, 1946, would be offered in exchange for the called Home Owners' 1½s. . . .

The banks evidently believe that there will be plenty of short term issues available in the future and took advantage of the opportunity to do their own refunding by investing the proceeds from the sale of the called obligation in the longer term higher coupon issues. . . .

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The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 161 Number 4390
New York, N. Y., Thursday, May 31, 1945
Price 60 Cents a Copy

The Financial Situation

President Truman both as Chief Executive of the nation and as leader of the Democratic party has an excellent opportunity to make it clear whether he is really a New Dealer at heart. That opportunity has been provided by Senator Wagner, who last week introduced a bill which would, if enacted into law, become the "Social Security Amendments of 1945." This proposed measure may well indeed serve an even broader purpose. The reaction of the President and of the members of his party should, if there is no evasion or side-stepping, indicate whether, and to what extent, the Democratic party—and possibly the Republican party likewise—have become victims of the strange notion that a new earth if not a new heaven can and should be created after the war by paternalism in partnership with profligacy.

An Inacceptable Program

It may be doubted whether Mr. Roosevelt, had he lived and had he remained under the spell of the day-dreamers in Washington, would have come forward with a more sweeping and a more impracticable and more wholly inadvisable measure. At any time prior to the astounding record of the New Deal, it would have appeared quite incredible to any intelligent person that the people of the United States would for a moment support any such measure as this. There is scarcely a tenet of good American tradition within reach of such a measure which is not transgressed by it. A government which has won a record of administrative incompetence would take over from the States the vast system of unemployment insurance. A regime which is responsible for conditions in the Veterans' hospitals which should bring a blush of shame to the cheeks of every American would be charged with the organization and administration of a sys-

(Continued on page 2424)

Krug Says America Can Build Strong Transitional Economy

Chairman of War Production Board Declares That Nation's War Program Has Reached Maturity and Outlines WPB Policy for Coming Months in Facilitating Industrial Reconversion to Peacetime Output. Avers Country Is in More Favored Position for Changeover to Partial Non-War Economy, Despite Need for Prosecuting Conflict Against Japan, Than It Was at End of First World War.

A staggering demand for civilian goods of all types both at home and abroad is "the foundation on which America can build a strong transitional economy" as it swings from munitions to peacetime production. J. A. Krug, Chairman of the War Production Board, said on May 27 in a full report to the board on reconversion.

J. A. Krug

Pointing to the pent-up demands that will provide a backlog for industrial plant expansion and renovation in this country, Mr. Krug cited statistics to show that in 1944, if goods had been available, Americans would have spent close to $120 million. In addition, he said, 1943 and 1942 consumers were likewise unable to use their incomes as they normally would have.

The nation's war production chief outlined the policy of WPB in the months to come, saying:

"Although war will be the country's main job, we must do everything possible to provide opportunities for returning soldiers and discharged workers after the defeat of Japan. Toward that end it is necessary to get rid of regulations and production limitations as quickly as possible, and by doing so automatically lift the ceiling on initiative, imagination, and resourcefulness—the very qualities the country will need most if we are to have a resilient and expanding economy after the defeat of Japan.

"In this way the choice of what and how to produce, buy, and sell—after positive assistance to military and essential war supporting agencies—will be left to the decisions of thousands of manufacturers, wholesalers, retailers, farmers and ultimate consumers, rather than to Government agencies and officials.

"If we were to attempt in Washington to see that every manufacturer, wholesaler and retailer got his exact share of relaxed manpower and materials, we would be lost in a myriad of

(Continued on page 2426)

Keynes Contrived International Monetary Scheme

By HON. FREDERICK C. SMITH
Congressman from Ohio
Member, House Committee on Banking and Currency

PART II

Congressman Smith Compares the Keynes "Clearing Union" Plan With the Provisions of the International Monetary Fund and Contends That the Regulations Adopted for Quotas, for Borrowing, for Fixing Gold Prices, and for Rationing Currencies Follow Keynes' Ideas. Says Rationing Dollars Will Force U. S. to Either Invest Abroad or to "Give Exports Away." Holds Our Tariffs and the Gold Value of Dollar Will Be Placed Under Foreign Control, and That Rationing of Our Exports by Fund Will Give Britain an Advantage in International Trade and Finance Because She Will Be a Heavy Borrower of the Fund.

Editor's Note—In the first portion of his analysis of the Bretton Woods proposals, which appeared in the "Chronicle" of May 24, Congressman Smith asserted that the International Monetary Fund was in line with Lord Keynes' monetary debasement schemes. He compared the original Keynes "Clearing Union" with the United States Treasury's monetary stabilization plan and the provisions of the Bretton Woods Pact and drew the conclusion that the provisions will not only permit but may compel a debasement of our currency. The second part of Congressman Smith's analysis is given today and the concluding portion will appear in our issue of June 7.

Frederick C. Smith

Morgenthau's and Bretton Woods Provisions for Establishing Quotas Compared to a Similar Provision for Setting up Quotas in Lord Keynes' Clearing Union Plan.

Fig. 7

Keynes' Clearing Union

Art. I. (e)

"We need an agreed plan for starting off every country after the war with a stock of reserves appropriate to its importance in world commerce."

Art. II, Sec. 6 (5)

"Each member State shall have assigned to it a quota, which shall determine the measure of its responsibility in the management of the Union and of its right to enjoy the credit facilities provided by the Union." Quotas are alterable.

Measures provided to limit size of quota.

"(8)—(a). A member State may not increase its debit balance by more than a quarter of its quota within a year without the permission of the Governing Board."

Suitable collateral required to limit amount a member can borrow.

Fig. 8

Bretton Woods Agreement

Art. III, Sec. 1

"Each member shall be assigned a quota." Quota largely determines voting power. Quotas alterable. Borrowing limited to amount of quota and member cannot borrow more than 25% of quota in any year. Both of latter subject to waiver. Collateral may be required.

Both the Lord Keynes and Bretton Woods proposals, as seen in Fig's 4 and 5 above, provide for assigning quotas which shall determine the measure of a member's responsibility in the man-

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a Not available this week.
*This report appeared in the "Chronicle" of May 28 on page indicated.

Great Changes Ahead

Roger W. Babson Gives Startling Advice to Youths

BABSON PARK, MASS.—There can be no question about it, we—in our day—have arrived at one of the great crises of history. The closest approach to present-day conditions is probably to be found in the Roman Empire of Jesus' time. There were many differences, of course, but also some startling similarities.

Roger W. Babson

Let's Look at History

As in the world we have known, wealth was then, in general, the key to power. When the Roman Empire broke up under the blows of barbarian invasions, civil wars, political corruption, depressions and inflations, great wealth was destroyed and ceased to be the key to power. Power was seized by chieftains;—vigorous and dominating—who ruled by military might, but pretended to protect their peoples. Business fell into what we may properly call a drastic permanent depression.

This new way of life shook down into the feudal system. In the feudal period, power was based on control of the land and the serfs who worked it. And for centuries thereafter real power was organized around the hereditary, land-holding, aristocracies of Europe. There continued to be an aristocracy, but it was a very different one from the prosperous Roman Days.

The discovery of America and of silver and gold which flowed from the mines of Mexico and Peru, plus the reopened trade with the East Indies, upset this feudal system. An economic and industrial revolution, with its political counterpart, the French Revolution, followed. This undermined the power of the landed aristocracy everywhere. Private enterprise, private capital, industrial and mechanical achievement again opened the field of economic opportunity to the individual. Again the accumulation of wealth became the road to power. Our country grew up and attained its outstanding position in the world under this system.

Freedom or Security

First formulated by Marx, socialist economy came to flower in the Russian Revolution following World War I. The essence of it is the exchange of freedom for a government-promised social security. Sad to say, too many people in this country seem to prefer an artificial security even at the cost of freedom.

This social revolution has already engulfed most of Europe

(Continued on page 2432)

"Our Economic System"

"We want a post-war America with high production, high levels of employment and high wages. All of these are attainable—provided we succeed in avoiding strikes, boycotts, jurisdictional conflicts and other types of industrial warfare. It hardly needs proving that our men in foreign fields will be deeply perplexed, and rightly angered, if they return to an America torn by labor-capital conflict. They know that we can safeguard the fruits of military victory only by making peace at home secure.

Eric A. Johnston

"Economic theorists may argue about the relative values of private enterprise and the state-controlled or "planned" society. But the average American has few if any doubts on this score. He is aware, in terms of direct personal experience, that the American system has given us the world's highest living standards, along with the world's highest standards of personal freedom. He likes our economic system, even though he wants to have it improved.

"We Americans think it is a good system, for all its shortcomings, because it is flexible and unlimited in its possibilities of expansion. It seems to us ideally suited to the American land and the American temperament. We are an adventurous, experimental, daring people, conditioned by our history to reject the "security" of serfdom. Our economic system springs from our peculiar national traits. It is the product of those traits. . . .

"The extraordinary tests to which war has put the American system have been passed with flying colors. The no less serious tests that will come with peace can also be taken in our stride—if we have the fullest possible measure of industrial peace."—Eric Johnston.

Mr. Johnston, as President of the Chamber of Commerce of the United States, is commonly regarded as having done a most excellent piece of "public relations" work for American business. We believe that he deserves that rating.

He seems to us nonetheless at times to concede too much. "Industrial peace" is certainly of great value—but too much could be paid for it.

And "our economic system"—which barring human defects is essentially the **laissez-faire** system—is hardly the outgrowth of our "peculiar national traits." It has a far broader and more solid foundation—the normal traits of human nature—everywhere.

Senate Groups Study Curbing Cartels

A special Senate committee investigating oil resources and the Senate Judiciary Subcommittee, conducting joint hearings in a study of how to curb cartels, were told by Assistant Attorney General Wendell Berge that there is a willingness on the part of many companies in the United States to cooperate with the government in working out a proposed international agreement to solve the problem, the Associated Press reported from Washington, May 18.

Mr. Berge endorsed the proposed Foreign Contracts Act, requiring public registration of restrictive foreign trade contracts by business, which was the focal point of the hearing . But he said it would not entirely solve the cartel problem.

"A world partitioned by cartels breeds economic friction and disunity," Mr. Berge declared.

He related cases where he said American firms and foreign concerns agreed, by cartel, to divide markets in restraint of trade. In one instance, Berge said, the result was that I. G. Farbenindustrie of Germany was able to control the output of American magnesium. He said Standard Oil of New Jersey agreed to stay out of the chemical industry in exchange for I. G. Farben agreeing to stay out of petroleum.

Orville Harden, vice-president of Standard, said that deal made in 1929 benefited the country. By it, Standard got access to certain German technical developments which he said were far ahead of American researches on the same subjects. It led directly, he contended, to U. S. development of high octane aviation fuel, synthetic toluene for the TNT in over half the nation's war explosives, and the technique for making synthetic rubber, especially from oil.

The opinion has been expressed informally by Attorney General Biddle that American firms entering into cartel agreements abroad, in a monopolistic sense, are "risking" a violation of the United States anti-trust laws, though the agreements are legal in the foreign country involved. In this connection, the Associated Press reported from Washington, May 21, two oil executives testified before the Senate committees that although they oppose the principle of foreign cartels and monopolies, United States business had to compete abroad on conditions existing there or die.

Orville Harden, vice-president of Standard Oil of New Jersey, told a Senate Oil Resources Investigating Committee: "We are opposed to cartels; we know of no dissent in the American petroleum industry on this point. All of us would like to see the adoption of our American Philosophy of business, worldwide."

He said, however, that whatever the answer to the cartel, it cannot be the abandonment of "our foreign markets" which he described as vital to the United States in prosecuting this war or any future conflict.

Laurence B. Levi, director of the Socony-Vacuum Oil Company, Inc., testified that foreign governments encouraged cartel arrangements. Some of them, he said, grew directly out of Russia's "dumping" quantities of oil on the market at unusally low prices in order to obtain the foreign exchange. As a result, he said, "some countries enacted legislation providing for some form of market control, others were planning to adopt such measures; still others used pressure upon the industry to put its house in order." From all this, he said, evolved the cartel.

W. S. S. Rodgers, chairman of the Texas Company, told the committee, according to the Associated Press, that a bill requiring public filing of foreign contracts would lead to a spy system for the benefit of other nations.

"I predict that promptly upon passage of such a bill," Rodgers said, "a sort of international reporting service would be organized in Washington to flash this information quickly to interested business men throughout the world."

The result, he said, would be to put American industry at a disadvantage.

Rodgers said he also is opposed to monopolistic deals abroad. He proposed for the oil industry as a whole that the United States Government:

1. Promote voluntary agreements among all nations to eliminate monopolies and cartels.

2. Failing that, make it clear that American activities abroad are not subject to the anti-trust laws unless a definite restriction of trade here is shown.

The Government should take into consideration, he said, whether foreign agreements benefit the national economy, the security and "our foreign economic policy."

Rodgers said he had no objection to a bill requiring the filing of purely international contracts but the propoesd legislation, he said, now is so worded as to cover every "local" and "routine" contract. The contract registration is, however, "secondary," he said. The real need is for clarification of the existing laws so Americans know where they stand in foreign trade he said.

Allen C. Phelps, director of export for the Federal Trade Commission, told the committees on May 18 that the cartel idea is so entrenched in Great Britain and the European nations, that any international agreement banning cartels as proposed faced many obstacles. He is reported by the Associated Press to have said:

"The idea of permitting, encouraging or sponsoring combinations in restraint of trade is rather well-entrenched in many countries, in Europe particularly.

"For example, in 1914," Great Britain had some 350 trade associations, apparently encouraged by the Government, devoted to the collective marketing of British exports."

In addition, he said, Russia may become a great exporter and, with all its foreign trade conducted by the Soviet Government, "provide very formidable competition to American exporters in many markets."

The State of Trade

A review of the steel industry for the past week affords some inkling of the obstacles that must be overcome before attaining civilian production in any appreciable degree in the months ahead. In its report of the steel trade covering activities for the previous week, "The Iron Age" points out that notwithstanding increasing signs of an upward trend in order cancellations, there was slight evidence last week that openings on steel mill schedules which are expected to materialize by July 1 would be sufficient to give much hope for even moderate scale resumption of civilian manufacture.

Discussing latest steel price revisions announced by the OPA on Tuesday of last week to be effective the following day, May 23, the magazine observed that the price increases on certain steel products will probably satisfy no single company or group. Revealing the confusion and dismay that has entered into the steel-pricing picture this trade authority adds, that non-integrated steel makers comprising the smaller steel companies have already condensed the revisions as insufficient for them and that large steel companies are "worn out" after having attempted to get a healthy boost in prices. Fears were expressed that labor would use these increases as an argument for higher wages.

The OPA in conjunction with the price changes, released a long comprehensive "Statement of Considerations," which, according to the magazine, "will probably live to see the day when its price pattern will haunt it with claims and hues and cries that the whole steel price balance has been put out of kilter." What benefits the industry obtained from the increases seemed highly debatable and it was felt that arguments will continue on this score for months. The magazine noted, however, that one thing seemed certain from the OPA's statement of considerations and that was under controlled prices there is no chance for any company to obtain price relief until a more exhaustive and prolonged study of costs factors has been made.

Cancellations amounting to as high as 50% of gross bookings have, in most cases, failed to reduce net orders to a point where early openings in mill schedules are prevalent, states "The Iron Age." Net orders holding close to the moderate level reported throughout May, which is about 40% less than the peak weeks scored early in 1945, are in the cases of several principal producers only slightly less than shipments. Pressure has been heavy, notably from the automobile industry, to schedule unrated orders authorized for second half delivery by open ending of CMP.

Although cancellations have produced spot openings, the magazine adds, these have been filled with the exception of some plate tonnage by rated orders, and producers almost universally have declined to make firm commitments on unrated tonnage. Heavy carryovers of rated business, it is expected, will dominate, and order backlogs assure mill schedules at the current levels for several months. Some customers holding third and fourth quarter allotments have been unsuccessful in placing them with mills.

The long term picture presents several factors, according to the magazine, which could result in a partial thaw. The landing mat program for the second half of 1945, considered one of the keys to possible automotive sheet production, has been reduced from 450,000 tons to 300,000 tons. Steel requirements for armor piercing shot for the balance of this year are understood to be only 2,000 tons because of large inventories in the hands of contractors. This alone promises easing of the alloy steel picture. Cancellations at the contractor level continue to be reported for heavy caliber ammunition and gun components, tanks, vehicles and construction material for advanced bases. For the first time, the critical hot topped steel production appears sufficient to fill essential needs. The cuts have been cushioned by WPB pressure to step up tin plate and rail production.

Steel Price Increases—Briefly summarized steel price increases allowed were as follows: Light rails which had been advanced $3 a ton in January, have been advanced an additional $2 a gross ton, making a total increase of $5; tie plates are up $3 per net ton; carbon steel hot rolled bars up $2 a net ton; carbon steel wire rods up $3 a net ton; manufacturers wire up $3 a net ton; barbed wire up $2 a net ton; bail ties up $7 a net ton; carbon steel blooms, billets, slabs and sheet bars up $2 per gross ton; and carbon steel tube rounds and tube billets, exclusive of billets not converted into seamless tube or pipe, up $4 a gross ton.

Carbon steel plates subject to sheared and universal tolerances which were advanced $2 a ton in January have received an additional boost of $1 a ton making a total of $3 a ton. Galvanized iron and steel sheets and zinc coated specialty sheets including roofing and siding which were advanced $3 a ton in January have had an additional increase of $1 a ton making a total increase of $4 a ton. Nails and staples other than galvanized which were advanced $5 a ton in January were increased another $2 a ton making a total increase of $7 a ton. Track spikes were advanced $5 a net ton.

The American Iron and Steel Institute announced last Tuesday that the operating rate of steel companies (including 94% of the industry) will be 91% of capacity for the week beginning May 28, compared with 92.9% one week ago. This week's operating rate represents a decrease of 1.9 points from last week's rate, and is equivalent to 1,666,800 net tons of steel ingots and castings, compared to 1,701,600 net tons last week and 1,746,500 tons one year ago.

Railroad Freight Loading—Carloadings of revenue freight for the week ended May 19, 1945, totaled 868,634 cars, the Association of American Railroads announced. This was an increase of 30,127 cars, or 3.6% above the preceding week this year and 1,441 cars, or 0.2% below the corresponding week of 1944. Compared with a similar period of 1943, an increase of 24,792 cars, or 2.9%, is shown.

Electric Production—The Edison Electric Institute reports that the output of electricity increased to approximately 4,377,221,000 kwh. in the week ended May 19, 1945, from 4,302,381,000 kwh. in the preceding week. Output for the week ended May 19, 1945, was 3.1% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 163,000,000 kwh. in the week ended May 20, 1945, comparing with 180,400,000 kwh. for the corresponding week of 1944, or a decrease of 9.6%.

Local distribution of electricity amounted to 162,200,000 kwh., compared with 178,900,000 kwh. for the corresponding week of last year, a decrease of 9.3%.

Coal, Coke and Crude Oil Production—For weekly coal and coke production statistics and daily average crude oil production figures for the week ended May 19, 1945, see subsequent pages of this section.

(Continued on page 2431)

Propose to Broaden Social Security

A bill proposing a broadly expanded social security program calling for appropriations from the Treasury's general fund to meet benefits as well as an 8% payroll tax divided between employers and employees was introduced in Congress by Senator Robert F. Wagner (D.-N. Y.) and Representative John D. Dingell (D.-Mich.) the Associated Press reported from Washington, May 24.

Mr. Wagner, explaining the legislation in detail in a speech prepared for delivery in the Senate, listed these principal proposals:

1. Contributions of employers and employees are to be increased from 1 to 4 per cent each.

2. Every citizen would be eligible to health insurance similar to the present voluntary hospital insurance plans now in effect. None of the current plans would be affected; they could continue in business.

3. The Government would embark on a ten-year plan, with an appropriation of $950,000,000 to help states build and improve hospitals and health centers, especially in rural areas. An additional $5,000,000 would be provided to help the States make the necessary surveys.

4. The United States employment service would be established permanently. After the war it would take over the War Manpower Commission and other related services with the Social Security Board set-up.

5. Social security coverage would be extended to an additional 15,000,000 persons, including farm workers, domestics, those in nonprofit institutions and the independent farmer, professional person and small-business man.

6. Increases are provided for unemployment compensation and old age benefits; the jobless insurance would be nationalized, rather than operate on a state-by-state basis.

Senator Wagner said that labor organizations endorsed the bill.

He emphasized that the health insurance plan would allow the individual to choose his own physician and hospital; would permit the physician and hospital to pick their own patients, too. "It is not socialized medicine," he insisted.

The Senator said full employment, if it is achieved after the war, "still does not solve the economic problems of widows and orphans, the aged, the sick and disabled."

The medical care insurance would provide for hospital service up to 60 days a year, with the insured person's family included in the benefits.

For illness or disability, a person would get the same payments as if unemployed, and these would be revised.

Duration of unemployment benefits would be extended from the present maximum of 26 weeks to a full year if available funds permitted. The weekly scale would be from $5 to $20 for single persons, with a maximum of $30 based on the number of dependents. Most existing state laws have a maximum between $15, and $20.

Women workers would be allowed 12 weeks maternity leave, with the same scale of benefits.

Changes in the old age assistance phase would provide monthly cash benefits where the worker is totally disabled for six months or more before reaching retirement age. The minimum monthly sum is increased from $10 to $20 for a single person, and $30 for a worker with a dependent wife aged 60 or over. The maximum would be $120 a month. The bill also lowers from 65 to 60 the retirement age for women and for receiving widow's benefits.

Those in the armed forces would be granted a wage credit for $160 a month, thus having this social security credit during their period of service without deductions from Army or Navy pay. Wagner said the program would pay "enormous dividends" in public health. The aid to States and the health insurance plan, he contended, would provide medical care for the low-income family and strike "at an important cause of the shockingly high rate of rejections" experienced by draft boards.

"Health insurance does not involve regimentation of doctors or patients," he declared. "It is simply a method of assuring a person ready access to the medical care that he or she needs by eliminating the financial barrier between the patient and the doctor or hospital." The Senator said the legislation isn't the "final solution" of social problems, but simply "a desirable step that can be put into operation now."

President Truman is expected to address a message to Congress soon which will endorse the principle of the proposed legislation.

Price Modifies Censorship Code

In an action designed to lift most of its bans on military news from Europe, the Office of Censorship has issued a new combined press-radio code defining the Pacific-Asiatic area of operations, removing Europe from such an area and making a number of deletions from the present code, the Associated Press reported from Washington, May 18.

Director Byron Price, explaining the relaxations in the new code, summed up his views in this way:

"There are those, I believe, who think censorship in this country should continue in full force in connection with the policing of the peace in Europe. I happen to be one of those who take the opposite view. Censorship was provided for by Congress and has been endured by the people for the sole purpose of winning the war—and the only war we are now engaged in is with Japan."

He was asked at a news conference about statements that there is political censorship of news in Europe. His reply to this was: "I don't see how a civilian agency (the Office of Censorship) in this country can change the policies of a military agency in Europe. The commanding officer has got to control his area. Also, it would be wholly inoperable for us to try to determine something happening thousands of miles away."

What the new code does is remove specifically a score of restrictions concerning the publication of news about military movements of troops and high officials in Europe and lower other bars against domestic news relating to such items as production.

Here are some of the changes in the new code:

The former separate codes for press and radio are consolidated and the previous restraints on foreign-language broadcasts and quiz programs eliminated.

All weather information is publishable.

The ban on sabotage news is removed, as is the section covering air raids.

Troop movements, except those alerted for transfer to the Pacific, can be reported. This modification also applies to troops in Europe who are coming to the United States before going to the Pacific but continues, of course, the restrictions regarding units headed immediately for the Far East.

Soldiers can be identified as members of particular military units, except those in or going directly to the Pacific.

The number or character of ships under construction can be reported and advance information on the dates of launching or commissioning of merchant ships—but not naval vessels—given. The safeguards against news of either naval or merchant ship movements or their sinking from war causes, however, is continued.

Movement of diplomatic exchange ships (for internees and war prisoners) can be reported.

The restrictions on movements of aircraft, except those in or bound for the Pacific-Asiatic area, is lifted.

Also publishable is information regarding rate of production for war goods, information on exports and imports and on stockpiles of strategic materials. The new code, however, continues restriction on news of "new or secret weapons" or the identifying of plants making them. (In this connection, Mr. Price urged that press and radio consult with his office when uncertain about the definition of secret weapons.)

Information on prisoners of war, except Japanese, and enemy aliens henceforth is usable, as is the location of hidden art treasures.

German Press Under Allied Control

Control of the German press and other information services has been taken over by the Psychological Warfare Division under Brig.-Gen. R. A. McClure, who stated that control would not be restored to German hands until Nazi and military influences had been completely removed, Associated Press reports from Paris stated on May 25.

The General outlined a program embracing all newspapers, radios, publishing and entertainment enterprises, declared its purpose was to maintain order from a military standpoint and to reorient the German mind after twelve years of Nazism, and added that it was founded on the policy recently laid down by Gen. Eisenhower that a free press and a free flow of information should prevail in Germany in a manner consistent with military security.

The first phase of the division's program—the shutting down of all German information services—went into effect in each German locality as it was overrun. The second phase—the setting up of Allied information services, making use of German newspaper and publishing plants, radios and the like, but "doing the writing and editing ourselves"—has now begun with the reopening of some radio stations and the publishing of several Allied newspapers. These are printed weekly in ten plants—at Essen, Cologne, Frankfurt, Kassel, Munich and other cities—and have a combined circulation of 5,000,000. McClure's division is also operating Hamburg and Munich radios and plans eventually to operate other stations at Stuttgart, Cologne and Frankfurt.

Films to be shown in Germany will be carefully selected. The main items will be weekly news reels and selected documentary films produced by the OWI and the British Ministry of Information. An hour-long film of German atrocity camps is being completed and will be shown to the German people to convince them that they must consider themselves responsible for these atrocities. An illustrated booklet covering atrocity camps will be required German reading.

There will be music in Germany, but its character will be closely supervised, and a strict ban is on any that propagates militaristic ideas or is associated with the Nazi party, Fascism, Pan-Germanism or the German Army.

The program's third phase will witness a gradual transition from Allied information services to German-managed services, working under Allied supervision, after detailed reconnaisances and examination of prospective German operators.

Restrictions Lifted by WPB on Manufacture of Many Copper Products

The War Production Board on May 11 announced that it had revoked orders M-9-c, M-9-c-1, M-9-c-2 and M-9-c-4, which restricted the manufacture, delivery and installation of many copper products. This action was in line with WPB policy to relax controls as rapidly as possible after V-E Day, the agency said.

The revocations will permit the use of copper for many purposes heretofore prohibited. It was pointed out, however, that until July 1 manufacturers will have to rely mainly on copper from surplus inventories. After July 1, under the revised Controlled Materials Plan procedure, mills will be permitted to deliver copper controlled materials on orders not bearing CMP symbols, provided that such deliveries do not delay the production and delivery of military and essential civilian orders. Such orders, WPB said, may be placed immediately for delivery after July 1.

WPB cautioned that in no sense do the revocations mean that copper is available once more in unlimited supply for civilian production. Refined copper remains in short supply and will, with ingot, scrap, and other copper raw materials, continue to be allocated under copper Order M-9. This in turn will limit the amount of controlled materials (strip, rod, tube, wire and castings) that may be produced for civilian orders.

It was emphasized by WPB that there are other orders and regulations that limit or prohibit the use of copper, and that compliance with such orders will continue to be required.

Truman Recommends Further Economies

A further reduction in war expenditures amounting to $92,119,000 has been recommended by President Truman, in addition to a previous cut of $4,265,000,000, the Associated Press reported from Washington, May 21, specifying that the slashes included $6,400,000 from the emergency fund of the Federal Bureau of Investigation.

Among the other cutbacks were: Office of War Information, $4,750,000; Censorship, $5,107,000; Office of Strategic Services, $14,000,000; Office of Scientific Research and Development, $18,000,000; Federal Works Agency, $6,400,000; War Food Administration, $2,000,000, and Department of Commerce, $3,000,000.

After V-E Day the President recommended cancellation of Maritime Commission contracts authorizations amounting to $4,265,000,000. Today the Senate approved legislation containing this cancellation and sent it to the White House.

Truman Lauds AWVS

President Truman sent a message of congratulations to the National American Women's Voluntary Services which was read to the annual meeting of the organization.

"Hearty congratulations to the AWVS on the completion of five years of helpful constructive service to the nation." President Truman wrote.

"We have not finished the job to which we are committed as free Americans. We must neither fail nor falter but continue relentlessly to fight to destroy our treacherous foe in the Orient. Japan must be knocked out even as Germany already has been brought to her knees. There will be need for the patriotic and unselfish services which the AWVS can give. I have full confidence that these services will continue without stint."

Boedeker Pres. of N. Y. Group of Controllers

Myron J. Boedeker, comptroller of Johns-Manville Corporation, was elected president of the New York City Control of the Controllers Institute of America, at the annual meeting of the New York organization, held May 24 at the Hotel New Yorker. Mr. Boedeker succeeds Harry C. Gretz, assistant controller of the American Telephone and Telegraph Company. William J. Wardell, controller, Vice-President and director of the American Can Company and William Widmayer, comptroller of the Guaranty Trust Company were chosen Vice-Presidents. Arthur L. Boschen, controller of the Vick Chemical Company was elected treasurer, and Theodore F. Gloisten, Controller of The American Home Magazine Corporation was elected Secretary.

The following directors were elected at the meeting: Neville R. Ashcroft, secretary-treasurer of Scott & Bowne, Bloomfield, N. J.; R. C. Casselberry, controller of the General Aniline & Film Corporation, (re-elected); E. A. Clancy, comptroller of the New York Central System; Nicholas P. Dussinger, assistant vice-president of the General Baking Company, (re-elected); Lester W. Field, controller, Willcox & Gibbs Sewing Machine Company, (re-elected); John D. Grayson, treasurer of the Hazeltine Electronics Corporation, (re-elected); Nelson T. Hampson, comptroller of the Lowe Paper Company, Ridgefield, (re-elected); Arthur C. Harragin, comptroller of the Lone Star Cement Corporation; William A. Jackson, assistant controller of the Standard Oil Company of New Jersey; Lyle M. Prouse, controller of the Sperry Gyroscope Company, Inc., Brooklyn; Kenneth C. Richmond, vice-president and controller of Abraham & Straus, Inc., Brooklyn; Bernard S. Rodey, Jr., assistant controller of the Consolidated Edison Company of New York, Inc.; J. E. Savacool, vice-president, controller and director of Mack Trucks, Inc.; Arthur Surkamp, treasurer of the United States Rubber Company, and George O. Swezey, treasurer of Nestle's Milk Products, Inc. With the exception of those specified, all officers and directors chosen are from New York.

Increased Mortgage Lending and Savings

Mortgage lending activities of the 243 savings and loan associations in New York State showed a record-breaking increase during the month of April, according to figures released by Zebulon V. Woodard, Executive Vice-President of the New York State League of Savings and Loan Associations.

Mortgage loans granted during April, 1945, totaled $9,866,646, which represents an increase of 35%, or $2,285,564 over total mortgages recorded during April, 1944. Of the $9,866,646 mortgage loans placed by the associations in April, 88%, or $8,655,698, were for the purchase of homes. Construction, repair, refinance, and other loans amounted to $1,210,948.

Savings increased during the month by a net figure of $7,195,460, equivalent to a rise of 1.3%. Since January 1st the net increase has been 5.9%. New share investments for April totaled $15,398,944, while withdrawals amounted to $8,203,484.

Based upon figures submitted to the League, Mr. Woodard estimated that the total resources of the 243 savings and loan associations in the state on April 30th had reached the amount of $635,086,866.

The liquid resources of the associations in the form of cash and government bonds now constitute 32.9% of all assets as compared to 31.0% as of January 1st.

The Financial Situation

(Continued from first page)

tem of semi-state medicine. To this is added a public health insurance arrangement which can scarcely fail in time to become a national scandal.

As if all this were not enough the so-called old-age pension and survivors benefits would be broadened to include disability benefits, and to cover not only many employes not now under the plan but millions of "self-employed," so-called — that is men and women in business for themselves, including farmers and professional persons. The authors of the bill appear to have given little thought to the immense difficulty, if not downright impossibility, of properly administering any such scheme as this. Everyone knows that the Federal Government, despite the millions of employes already added to public payrolls since 1933, is horribly bogged down in endless red tape, inefficiency and incompetence. Business men and others who have perforce had any extended dealing with the Federal Government in recent years can attest this fact, and do so daily wherever two or three are gathered together.

Exceedingly Costly

But such programs as this cost money, billions of it, yearly—not only that, but hundreds of millions more than the same services should cost, or would cost under private management. And this is in a country which is, so we hope, nearing the end of the most costly war in all history with the central government in debt in amounts which would have seemed utterly fantastic only a few years ago. Does cost trouble the sponsors of this so-called social insurance measure? Not visibly. Indeed one suspects at times that the very costliness of the scheme is by many New Dealers regarded as one of its chief merits. If such an idea appears fantastic to any reader of these lines, let him examine the New Deal literature which has grown up in Washington and in New Deal circles everywhere during the past few years. Mr. Wallace is by no means alone in his notion that we shall have to spend our way out of a mess brought upon us by past profligacy. Mr. Truman and those by whom he is surrounded could do both themselves and the country a great service by calling attention to the costliness of any such program in the post-war years when frugality and special care in public expenditures will be a first requisite.

Another service which they could render would be that of helping the rank and file to understand that the so-called reserves around which costly parts of these programs revolve are nothing less than a snare and a delusion. So carefully and on the whole so successfully have the propaganda agents of New Deal thinking done their work that it is next to impossible for any private citizen to convince the rank and file of the truth about this elaborate self deception. More often than not any suggestion that "contributions" made by the parties at interest in these contracts are not lying somewhere in Washington, or some other equally safe place, awaiting a legitimate claimant merely provokes an argument about the honesty of members of Congress or of the Administration. It is clear enough that the man in the street seems to suppose that the question at issue is whether or not someone is stealing his funds.

No Such Issue

Of course there is no such issue. No one supposes that anything is being done with the funds which the law itself does not contemplate, and, indeed, usually makes mandatory. The point is that the scheme itself is misleading to those who are not acquainted with the workings of government finance or, with the general principles of economics. The impression has been given, and it must be said that it was apparently given quite intentionally and systematically, that pension contributions were to be set aside against the day when they would be needed to pay benefits. The fact of the matter is, of course, that there really is no feasible way of doing any such thing.

Just Taxes

We are today really "investing" most of these contributions in guns, tanks, and planes—and the fuel to operate them and the ammunition to feed them. There is no basis in fact for viewing these contributions, or for passing judgment upon them, in any way different from just, plain taxes. When those who have made these contributions come to collect what is due them under the law the Treasury will have to find the funds needed for that purpose either by levying taxes at the time of such payment or by borrowing the funds from the public. These are, of course, very elementary and indisputable facts, but they are facts not generally understood.

They are also facts which the President and the more stable elements in his party would do well to make plain to the American people at this time.

France to Guide Whole Economy: De Gaulle

General Charles de Gaulle in a radio broadcast from Paris on May 24 promised that before the end of this year, the production of coal and electricity and the "distribution of credit" would be placed "organically" under the control of the State, according to a wireless dispatch from Paris, on May 24, by Harold Cullender to the New York "Times," which continued as follows:

With these key controls in its hands, the State would be in a position to guide the whole national economy, General de Gaulle said. He did not use the term "nationalization." Nor did he indicate the form that the State's control would take. He specified that it would not involve spoliation—that is, expropriation without payment to the owners.

It was assumed that the new measures of control would follow much the same lines as what was called the nationalization of the coal mines in the Nord and Pas de Calais Departments last October. This entailed control and eventual ownership by a government corporation in which the workers were represented.

Tonight's speech was regarded as a concession to the Left and the resistance groups, which have urged the nationalization of key industries—concession made just after local elections in which those groups appear to have made gains. At the same time General de Gaulle told the discontented workers that the Government must hold prices and wages at fixed levels to avoid a dangerous inflation.

General de Gaulle came nearer tonight than ever before to subscribing in more than abstract terms to that "revolution by the process of law" that is advocated by the Christian Democratic group that holds the most important posts in his Cabinet. He came closer than ever before to accepting the program of social change advocated by the National Council of Resistance, from which he had gradually drawn away in the months after the liberation of France.

It is "absolutely necessary," General de Gaulle said, "to stabilize prices, wages and salaries" and the Government intends to do this. Strikes such as have taken place lately will only "aggravate the deficit in production to the disadvantage of all." But General de Gaulle said that the Government intended as far as possible to insure a better distribution of goods, especially food.

Hopkins, Davies on Special Missions

The White House has announced the sending of two special envoys, Harry L. Hopkins and Joseph E. Davies, to Moscow and London. There is speculation as to whether the trips may have something to do with obstacles encountered in the San Francisco conference discussions, advices to the New York Herald-Tribune stated from Washington, May 23.

Hopkins, an intimate of the late President Roosevelt, was present at many of the international conferences and is therefore considered specially qualified to undertake the present assignment of conversing with Marshal Stalin on mutual U. S.-Soviet interests.

Mr. Davies, a former ambassador to Moscow, is to go now to London to discuss matters of common interest to the United States and Great Britain, according to the official announcement.

It is stated that the work of both men will be "integrated" with that of the American embassies in the two capitals.

Urban Mtg. Conference In New York June 4-8

With the objective of providing a forum for reviewing and analyzing those economic factors likely to have an important influence on mortgage lending in the postwar period the Mortgage Bankers Association of America, in cooperation with New York University, will sponsor a special Conference on Urban Mortgage Lending in New York June 4 to 8, L. E. Mahan, St. Louis, Association President, announced on May 26. Speakers will include Homer Hoyt, director of economic studies of the Regional Plan Association of New York, Inc.; John Koenig, Colonial Title Surety Co., Philadelphia; Arad Riggs, New York University Law School; Dr. Marcus Nadler of New York University's Graduate School of Business Administration; Dr. Clarence W. Fackler, of the University's Commerce School; Robert H. Pierce, Aetna Life Insurance Co., Hartford; Stephen Foster, Economic Advisor to the New York Life Insurance Co.; Paul O'Keefe, Savings Bank Trust Co., New York; J. Harmon Gurney, specialist on housing matters, New York Life Insurance Co.; Frank D. Hall, chief apprasier, Equitable Life Assurance Society; Charles Fleetwood, Prudential Insurance Co., and Philip A. Benson, President, Dime Savings Bank of Brooklyn. Paul A. McGhee, director of NYU's Division of General Education will be in charge of the Conference assisted by Dean George Rowland Collins, Curry Elliot Smith, Emanuel Stein, A. Anton Friedrich and A. Edwin Kazdin of the New York University faculty.

The conference will consist of afternoon and evening sessions at the Graduate School of Business Administration at 90 Trinity Place and attendance will be limited. Members of the Mortgage Bankers Association who participated in arranging the Conference are L. E. Mahan; C. Armel Nutter, Camden, N. J.; Harold D. Rutan, New York, E. D. Schumacher, Memphis; W. A. Clarke, Philadelphia; Milton T. MacDonald, Jersey City; H. C. Peiker, Springfield, Mass.; and John C. Thompson, Newark.

Knowlson is Appointed by Army-Navy

Mr. James S. Knowlson of Chicago, President of the Stewart-Warner Corporation and former War Production Board Vice-Chairman, has been appointed Central Field Commissioner for the European Theater of Operations, Mr. Thomas B. McCabe, Army-Navy Liquidation Commissioner, announced on May 19.

The Liquidation Commissioner said that Mr. Knowlson has reported to the OANLC in Washington for consultation before proceeding to England and the European Continent to assume his duties, which will be the disposal of Army and Navy surplus for that area.

Mr. Knowlson is also Board Chairman of Stewart-Warner, an Erie Railroad Director, President of the Radio Manufacturers Association, member of the Executive Committee of the National Association of Manufacturers, Board Chairman and principal owner of Speedway Manufacturing Company and a Director of the First National Bank of Chicago and the Peoples Gas, Light & Coke Co.

His service to the government as right-hand man to Donald Nelson was in the critical industrial conversion period from October, 1941, to January, 1943. Voted an indefinite leave from Stewart-Warner, he joined WPB as Deputy Director of Priorities and by 1942 was elevated to Vice-Chairman and member of the Combined Production Boards.

Senate Delays Vote On Expense Allowance

Controversy among Senators over the proposals to vote themselves an annual tax-free $2,500 expense allowance (the House recently voted itself this allowance) has resulted in postponement of action to give time for a measure more agreeable to a Senatorial majority to be worked out with House leaders, a report to the New York Times, from Washington, stated on May 24.

It appeared that an effort would be made to abandon the idea of an expense account, equaling 25% of the annual salary of a member of Congress, in favor of a straight pay increase of 15% to conform with the Little Steel formula, which has been applied to wage rises.

"I hope that before Monday perhaps something can be worked out with leaders in the House on this matter," said Senator Alben W. Barkley, of Kentucky, Democratic floor leader, who obtained an adjourment until Monday, leaving the legislative appropriation bill before the Senate with the $2,500 tax-exempt expense allowance in a state of suspension.

Senator Barkley acted after Senator Edwin C. Johnson, Democrat, of Colorado, served notice on the Senate that he would make a point of order against the proposed "tax exempt" expense allowance or any variation thereof that might be offered by members of the Senate.

"The integrity of the Senate is at stake in this matter," Senator Johnson said, reflecting the sentiment of other members who agreed that a pay increase, if it is to be sought at all, should be sought forthrightly and not by "subterfuge."

"In reality what is being proposed here," said Senator Harry F. Byrd, Democrat, of Virginia, "is to increase the salaries of the members of the Senate by $2,500 and to make the $2,500 exempt from taxation, because it would not be subject to any regulation of the Bureau of Internal Revenue.

"I can imagine no greater mistake the Senate of the United States could make than to increase the salaries of Senators and to make the increase tax-exempt."

Medal for Roosevelt

A bill was passed by the House and sent to the Senate awarding posthumously to Franklin D. Roosevelt a "special medal of honor," the Associated Press reported from Washington, May 21.

The measure, by John W. McCormack, Democratic leader, was blocked when first brought up two weeks ago by the objection of Representative Robsion, Republican, of Kentucky.

Today, as previously, the bill came up on the unanimous consent calendar, where one negative vote would put it aside.

Mr. Robsion again objected and proposed that the legislation identify Mr. Roosevelt as a civilian. He argued that the Congressional Medal of Honor should be awarded only to members of the armed forces who go far beyond the call of duty in actual combat.

Mr. McCormack told the House that Medals of Honor in the names of Congress had been awarded to Commander Richard E. Byrd, Floyd Benntt, Charles A. Lindbergh and others.

However, the Democratic leader finally agreed to the award of a "special medal" and, instead of writing in language identifying Mr. Roosevelt as a civilian, agreed to a compromise proposal by Representative Jenkins, Republican of Ohio, that the "Commander in Chief" identification be stricken.

Under these conditions the bill passed without an objection.

SEC Orders Stockholders' Vote on Delisting of Torrington Stock—To Study Exchange Rules

The Securities & Exchange Commission on May 1 approved the application of the Torrington Co. for permission to withdraw its common stock (no par) from listing and registration on the Boston Stock Exchange. In so approving the SEC, in its findings and opinion states:

It is important for the stockholders to be informed that, if the stock were withdrawn from listing and registration, investors would not only lose the Exchange market but would also cease to have certain material benefits which they now have by reason of the registration of the stock under the Securities Exchange Act. These are described in the next section of this opinion as matters to be considered by the stockholders in voting upon the proposed withdrawal.

Summary of Matters to Be Considered by Stockholders

The Torrington Company management has proposed to the Securities and Exchange Commission that the company's common stock be withdrawn from the Boston Stock Exchange. This Commission, on the basis of the evidence submitted, has found the proposal to be a step of such importance to the Torrington stockholders that it should be submitted to the stockholders for their approval or disapproval.

There are several matters which the stockholders should have in mind in deciding how to vote on this question. These include:

(1) The reasons for the proposal;

(2) The loss of the Exchange market for Torrington's stock; and

(3) The loss of benefits that are insured to stockholders by statute only as long as the stock remains registered on the Exchange, and which would cease to be available if the stock were withdrawn therefrom.

Nature of Order to Be Entered

We have given consideration to the kind of vote that should be required in the light of the facts presented, among which are the facts that no one stockholder of the corporation appears to be the beneficial owner of more than 10% of the stock, and that the officers and directors together hold less than 1.5% thereof. . . . It is therefore important to require a vote that may be accepted as expressing the views of a representative number of stockholders individually, and not merely a vote by shares, a majority of which may be owned by a few individuals.

The vote must be taken by ballot within a reasonable time after the first mailing of the soliciting statement to the stockholders.

Accordingly, an order will issue granting the application, provided, however, that withdrawal shall not become effective until ten days after the date when the applicant shall have filed with this Commission a certificate showing:

1. That the applicant has submitted the proposal to withdraw to all the holders of record of its outstanding shares for their assent or dissent, on the basis of a soliciting statement which complies with Section 14 of the Act and the rules and regulations thereunder and which includes a copy of that part of the opinion herein entitled "Summary of Matters to Be Considered by the Stockholders" together with the information that stockholders may obtain a full copy of the Commission's findings and opinion in this matter, without charge, upon request addressed to the Secretary, Securities and Exchange Commission, 18th and Locust Streets, Philadelphia 3, Pennsylvania, and

2. That within 120 days from the date of the first mailing of such statement, not less than 50% of the total number of shares outstanding shall have been voted on the question of withdrawal, and that (a) the holders of record of a majority of the shares voted, and (b) a majority in number of the stockholders of record voting, have assented in writing to the withdrawal of such stock from listing and registration on the Boston Stock Exchange.

Stock Exchange Rules

This case has brought forcefully to our attention the unsatisfactory condition of the rules of the various exchanges governing delisting. The rules of the exchanges on the subject are diverse in character and for the most part fail to afford any investor protection. While absolute uniformity is in all probability neither advisable nor possible, certainly a more consistent policy in delisting procedure is desirable.

An examination of the rules of the various exchanges as to delisting shows that seven exchanges have no rules on delisting and do not follow any well settled practice on the subject. (These are Cleveland, Detroit, Pittsburgh, Salt Lake City, San Francisco Mining, Washington, and Chicago Board of Trade.) Six exchanges follow the practice of requiring a resolution by the board of directors of the issuer setting forth the reasons for the requested delisting. (These are Boston, Los Angeles, New Orleans, New York Curb, Philadelphia, and Standard Stock Exchange of Spokane.) Six exchanges require approval by the stockholders. (These are Baltimore, Chicago, Cincinnati, New York Stock Exchange, St. Louis, and San Francisco.) However, of these six, two and possibly a third permit a veto of delisting by 10% of the stockholders no matter how few shares they own. (The rule of the Chicago Stock Exchange specifically contains this provision. The rule of the New York Stock Exchange has been so interpreted, and the rule of the San Francisco Stock Exchange is similar to the New York Stock Exchage rule.)

We have authority under Section 19 (b) of the Act to request and, if necessary, to compel the adoption of fair and protective delisting rules by the exchanges, and we have directed our staff to study the problem and report on the advisability of requesting action of that character in the near future.

Veteran Care Laws To Be Proposed

Representative Rankin (D.-Miss.), chairman of the House Veterans Affairs Committee, is expected to introduce legislation to establish a bureau of medicine and surgery in the Veterans Administration, the Associated Press advises from Washington, May 25, adding that Mr. Rankin had stated that his proposal had President Truman's approval. The President discussed the idea with its proponent and Brig.-Gen. Frank T. Hines, head of the Veterans Administration.

Gen. Hines said the proposed measure would go a long way toward shortages of nurses for veterans hospitals by giving them a permanent status. In wartime, he said, it would permit the drafting of nurses for veterans hospitals. He added: "It would give the Veterans Administration a free hand in the selection of personnel and establish them on the same basis as Army and Navy doctors and other hospital and personnel and allow them compensation comparable to Army and Navy hospital employees in performing the same duties.

Gen. Hines said that the President did not commit himself for the bill. but that he approved it in principle.

Separate Income and Profits Tax Returns By Assoc. Dry Goods Corp.

At the annual meeting of Associated Dry Goods Corporation held in Richmond, Va., on May 21, the nominees for Directors as proposed in the proxy statement were elected. The resolution approving the selection of Lybrand, Ross Bros. & Montgomery as auditors for the corporation for the current fiscal year was adopted by a majority of over 99.99% of the votes cast.

Robert J. McKim, the President, called attention to the statement made in the letter accompanying the annual report that consideration was being given to filing separate income and excess profits tax returns instead of consolidated returns as has been the custom in past recent years, and reported that as a result of such study the board of directors had determined that it is in the best interests of the corporation to file separate returns for the 1944 fiscal year. Accordingly, and with the approval of the auditors, Lybrand, Ross Bros. & Montgomery, the provision for Federal income and excess profits taxes applicable to that year had been reduced by the sum of $285,000, and this amount had been credited to earned surplus. The effect of this change is to increase net earnings applicable to the fiscal year 1944 from $2,825,491 to $3,110,491, which latter amount is equal to $3.23 per share of common stock, contrasted with $2.76 per share as stated in the annual report.

Tariff League Opposes Doughton Bill

The American Tariff League, in a study of testimony before the House Ways and Means Committee which has concluded hearings on the trade agreements measure, finds that opposition, in whole or in part, was registered by 56 out of the 89 witnesses who appeared.

The analysis, the league's report noted, showed that those rallying to the support of the bill consisted almost exclusively of individuals or groups not likely to be directly or adversely affected by tariff reductions.

Oral opposition to the bill came from thirty representatives of twenty-six industries, eight representatives from the agricultural and dairy fields, six from mining and six from industry and national labor unions. The bill also was opposed by the American Tariff League with 82 different industries and divisions of agriculture in its membership.

Roosevelt Stamp Issue

Four memorial Franklin Delano Roosevelt stamps, bearing the late President's portrait, in denominations of one, two, three and five cents, will be issued beginning June 27, as a tribute to Roosevelt, the Associated Press announced from Washington, May 23.

Mr. Roosevelt's portrait will appear at the left with the dates "1882-1945" and the name "Roosevelt" underneath the portrait. At the right on the 1-cent stamp will appear a picture of Mr. Roosevelt's home at Hyde Park while the "Little White House" at Warm Springs, Ga., will be pictured on the 2-cent stamp and the White House on the 3-cent stamp.

The design for the 5-cent stamp will be announced later, Mr. Walker said.

The 3-cent stamp will be the first to be placed on sale, June 27 at Washington.

The stamps will be the first issued by this country to picture Mr. Roosevelt, who was a ranking stamp collector while President. His picture has appeared previously on stamps issued by Brazil, Turkey and Guatemala.

Savs. Bank Life Ins. Passes $50 Million

The Savings Bank Life Insurance System in the State of New York has now passed the $50,000,000 mark in insurance in force, it was announced on May 24 by Henry W. Proffitt, Chairman of the Savings Banks Life Insurance Fund.

"Savings Bank Life Insurance," said Mr. Proffitt, speaking at a dinner of 200 savings bankers at the Waldorf-Astoria, "is now firmly established as a needed and valuable public service. This is emphasized by the fact that this volume of insurance has been written in small policies on the lives of people who have voluntarily gone to their savings banks to buy life insurance protection on an 'over-the-counter' basis. When we consider the fact that the savings banks are not permitted to employ solicitors and that individual policies may not be written by the savings banks in excess of $3,000, the volume of Savings Bank Life Insurance written in this state is an achievement of which the savings banks may well be proud."

Mr. Proffitt urged the savings banks to continue their efforts to obtain legislation which would permit people to buy individual policies in excess of $3,000. "With the government urging all men in military service, whether married or single, to take out $10,000 of National Service Life Insurance," said Mr. Proffitt, "it seems strange to have a law in New York State which restricts wage-earners to $3,000 protection in Savings Bank Life Insurance. The present limitation not only prevents people from buying adequate amounts of Savings Bank Life Insurance for the protection of their families, but also tends to defeat the purpose for which Savings Bank Life Insurance was created—the furnishing of sound life insurance at the lowest possible cost. An increase in the present limitation would result in larger average policies, with a consequent reduction in costs to policyholders."

Also speaking at the dinner, Judge Edward A. Richards, President of the East New York Savings Bank, predicted a substantial expansion of Savings Bank Life Insurance in New York.

Testimonial Dinner to John W. Sandstedt

At a gathering of officers and trustees on May 22 a testimonial dinner was tendered to John W. Sandstedt, Executive Secretary of the National Association of Mutual Savings Banks, marking the 25th year of his service to mutual savings institutions. Mr. Sandstedt belonged to the class of office boys who began at the bottom and rose to responsible positions. Essentially he ranked as a career man, having begun trade association work as long ago as 1919, when the Savings Banks Association of the State of New York set up headquarters. He had been graduated from high school and subsequently attended New York University. The National Association of Mutual Savings Banks had its inception in April, 1920. He was transferred to the new Association. Mutual savings banks at that time held slightly more than 5 billions of dollars deposits and depositors numbered about 9 millions. Mr. Sandstedt advanced rapidly in Association work and in 1928 appointed executive secretary. During the intervening years mutual savings banks have grown to the point where they now hold more than $13 and a half billions of dollars deposits. Depositors number 16 millions. This accumulation of small capital is the greatest ever brought together by one group of banking institutions, representing one-tenth of all American bank deposits.

Further Reduction in Sugar Stocks Reported

The House Food Committee has recommended appointment of a single administrator to coordinate sugar controls now divided among a number of Government agencies in order to conserve some portion of the nation's diminishing stockpiles which otherwise will have entirely vanished by 1946, the Associated Press reported from Washington, May 22. The report added that it is rumored that two men are under consideration for the post of sugar coordinator—Earl Wilson, sugar branch director of the Commodity Credit Corporation and Joshua Bernhart, head of the War Food Administration's sugar division.

The House committee stated in its report that million less tons of sugar will be available for civilians this year than last, and added:

"Only when the housewife finds how little sugar is going to be available under the contemplated program which provides five pounds per person for a four-month period, will the full impact (of the shortage) be realized.

"We feel that all of the allocations to liberated countries or neutrals should be re-examined in the light of existing supply and current production figures."

Figures given the committee, it said, indicate a very substantial reduction from the estimates at the time allocations were tentatively made.

Although the group did not print figures on the quota allocations—they've been marked confidential by the Government—it put in its report general statistics showing that Britain's sugar stockpile at the start of this year was higher than its pre-war level, while the United States reserve is now lower than normal.

"Certainly, an official statement would help to clarify this point," the report said.

The committee criticized OPA for rationing nearly 800,000 tons of sugar more than WFA said it should have last year. It said the same over-drawing on sugar stocks is possible again and declared:

"The situation is not yet under control."

Reduce Russia Relief Aid

Reduction of lend-lease aid to the Soviet Union does not represent United States Government judgment that relief aid is no longer necessary in that country, it was stated on May 21 by Leo T. Crowley, Foreign Economic Administration head, in a telegram is Edward C. Carter, President of Russian War Relief. Mr. Crowley said, "rehabilitation needs of the Soviet Union which are undoubtedly large, cannot be met through lend-lease." Under the terms of the lend-lease act, he said, reduction of shipments on the termination of the European war was necessary.

Mr. Carter, in releasing Crowley's telegram, stated that Russian War Relief was prepared to intensify its collections of essential food, clothing and medical items no longer supplied under a lend-lease program and that the agency's committees throughout the country would launch special projects to collect these items the first of June. The text of Crowley's telegram to Carter follows:

"Glad to confirm to your Board of Directors that recent action reducing lend-lease aid to Soviet Union on termination of European war has been taken under terms of lend-lease act and does not represent judgment on rehabilitation needs of Soviet Union which are undoubtedly large but which cannot be met through lend lease."

Krug Says America Can Build Strong Transitional Economy

(Continued from first page)

rules and regulations. We would get in the way of reconversion, rather than speed it.

"The war program in this country has now reached maturity. The United States is able to undertake a, partial industrial demobilization of manpower, machinery and materials, for the expansion of peace-time output, even though it is in the midst of a major war effort calling for an annual munitions production rate of nearly $54,000,000,000 during the eight months after V-E Day.

"As munitions contracts are cut back in volume, a large portion of the American people will be going back to what they have always done. The very process of reconversion will help toward reemploying released workers. In fact, the United States is much better prepared for reconversion in the middle of this war than it was at the end of the last war in 1918.

"Reconversion will, in many cases, not even mean the shifting of jobs for many workers," Mr. Krug said. "Of the 51,200,000 civilian workers in this country at present, 44,600,000 are in agriculture, railroading, steel, retail trades, and other jobs that will continue, regardless of munition schedules.

"When a company now making aircraft sub-assemblies is able to resume manufacture of refrigerators, it will probably use the same plant, superintendent, foremen, and workers," Mr. Krug said. "The point is that an overwhelming proportion of our people will go on doing much the same thing in much the same way, even when they are making new products."

Text of Mr. Krug's report on "War Production and Reconversion" follows:

The Immediate Problem

The United States is on the threshold of partial reconversion. Whereas, up to now, almost 50% of our industrial energies have gone to produce planes, ships, guns, ammunition and combat vehicles for a two-front war, it now appears that we will be able to use an increasing volume of our resources for the satisfaction of consumer demands.

Army and Navy war production schedules are currently being lowered and contracts terminated. Such a major withdrawal of Government purchases from the market poses a major problem. The third annual report of the Senate Committee Investigating the National Defense Program put it in these words:

"If the home economy is permitted to weaken and lose the resiliency necessary for quick and successful conversion to peace-time occupations, it will not be able to provide employment for soldiers and war workers when they are released from their present tasks. Should unemployment and business depression gain headway before the major task of readjustment has even begun, the difficulties of reemployment will be much greater."

Production for the War Against Japan

The United States has come a long way since President Roosevelt, in May, 1940, said: "I should like to see this nation geared to at least 50,000 planes a year. Furthermore, I believe that this nation should plan a program which will provide us with 50,000 military and naval planes." Today we are producing at the rate of 80,000 planes—and the aircraft of 1945 are heavier, better armored, and better armed than any then conceived. Our production of munitions has risen from less than $500,000,000 a month at the beginning of 1941 to nearly $5,000,000,000 a month today, and the goals which staggered the industrial imagination four years ago are comparatively easy by present day standards. Most of our critical war production problems have been licked. The country—in every sense of the word — has proved itself the Arsenal of Democracy.

Victory in Europe has relieved many of our specific production problems. Because of this there is some tendency on the part of many persons to take one-front war production as a matter of course. The War Production Board does not — cannot afford to—take that view. By the standards of any other nation in the world, the U. S. munitions program to carry on the war against Japan would be impossible. Even by American standards, it will require a big proportion of our total resources of manpower, machinery, and materials.

During the eight months after V-E Day munitions production, according to the present official military programs, will run at an annual rate of $54,000,000,000, or:

Two-thirds again as much as 1942:

Almost equal to the rate of 1943;

Better than nine-tenths the rate in the peak of 1944;

An equivalent to about 90% of the total value of manufactured goods in our best pre-war year, 1937.

It is only when compared with recent standards of production that the job may seem easy.

Therefore, to assume military production for the war against Japan, the War Production Board will continue to give top priority to military programs. This means that when manufacturers have war contracts they must fill them on schedule, that they cannot divert energies from war work to civilian operations. It also means that direct military and war-supporting programs will have first claim on materials, and expansion of civilian production will use only residual quantities not required for essential war needs.

Specific Problem

There is a basic difference between the task of 1942 and 1943 and the task of 1945 and 1946. Then we were mobilizing for war. We had to build new plants and expand old ones, find contractors to take war work, develop new forms of contracts, draw 7,000,000 extra youths, women and older men into employment, pass and administer a selective service law, train workers for new jobs, develop management and labor know-how on munitions production.

Today, however, our war program has matured. In the midst of a major war and a major war effort, the United States is able to undertake a partial demobilization. We are able to release some manpower, machinery, and materials for the expansion of peace-time output. As the cutbacks increase, some areas are bound to experience unemployment. In that event, local Chambers of Commerce, union leaders, and business men may urge the Government to take special measures, such as providing a public works program, or putting in war contracts to tide over the slump, or making special releases of materials for civilian production.

In many areas time will solve such dislocations—as peace-time industries start up and hire workers; but in some areas, special measures taken to maintain employment would merely postpone the eventual day of reckoning—as for instance a war-boom town which is greatly expanded because of a particular war plant with little or no post-war future. We must prepare to meet such emergencies when they are real; but we must also be prepared to resist the pressures when they would only delay necessary readjustments.

Reconversion Plans Well Advanced

The United States is much better prepared for reconversion in the middle of this war than at the end of the last one. Armistice Day, 1918, came suddenly. No detailed methods or procedures had been developed for settling contracts or financing contractors pending settlements, or for clearing plants. But this time Government agencies have already established such procedures so that resumption of civilian production can proceed quickly.

Further, the War Production Board, with the Army, Navy, Maritime Commission, War Manpower Commission, and other agencies, has developed policies and procedures for handling cutbacks. Under these procedures, proposed cutbacks of the Army or Navy are examined by all agencies, to determine how best to distribute the cutbacks—in relation to individual industries or plants, in relation to employment in affected areas or localities, and in relation to employment as a whole. Principles to be followed in making cutbacks were set forth by the Office of War Mobilization and Reconversion in January and have been incorporated in Directive 40, as amended March 5, 1945. The aim is to free civilian capacity as promptly and as fully as is consistent with carrying on the struggle against Japan, and to distribute the remaining war load over the country as equitably as possible.

Although we have machinery for handling these problems in the large, the impression must not be created that all local or particular problems of the transition period will be solved or that the machinery exists for their absolute solution. There is no central machinery which can be devised to handle smoothly dislocations of varying degrees of severity. WPB cannot undertake to resolve these problems in detail. All it can do is to release industry from war-time restrictions as rapidly as possible. From then on, industry must take the initiative in the task of reconversion and reemployment.

Reconversion Process

The very process of reconversion will help toward reemploying released workers. This is not always appreciated. As soon as munitions contracts are cut back in volume, a large portion of the American people will be going back to what they have always done.

Manufacturers will start clearing their plants of Government supplies and equipment, sending out orders to suppliers, setting up tools, dies and fixtures, and arranging assembly lines for peace-time production. This work will go forward at the same time that they are completing the job of terminating contracts. These problems are anything but strange. Manufacturers have closed contracts, cleared plants, and rearranged production and assembly lines before.

Some of the preliminary steps have already been taken. Manufacturers have been placing orders in anticipation of the day when some capacity will be free. In the case of machine tools, which take a long time to build, the War Production Board has cleared the way for placing orders with tool makers who have manpower and facilities not required for war work. This will be of particular service to the automobile and other durable consumers' goods industries.

Many industries, moreover, will not have to reconvert. Employment will go on as usual. Steel mills will continue to roll steel, but to specifications of passenger car manufacturers as well as military specifications. Manufacturers of bearings, bolts, nuts, nails and hand tools will continue as before. Their products are integral parts of any industrialized economy, be it a war-time or a peace-time economy.

Some companies which are right in the heart of munitions manufacturing have kept on during the war with their regular production. For example, 77% of the shipments of tractor manufacturers are tractors and tractor production is now over twice the high 1937 level; but many tractors are going to the Army and Navy and not to farmers and loggers. Even the automobile industry, which has achieved miracles in producing tanks, planes and guns, has kept its "hands in." About 36% of its shipments are "motor vehicles or parts."

Similarly, 65% of the products shipped by textile machinery manufacturers are pre-war types, and this 65% is more than the high 1937 output. Industry generally has been able to keep in practice—either because the Army or Navy needed civilian-type items (such as trucks, electric turbines, railroad equipment, laundry machinery, and refrigeration), or because the products were needed for the maintenance of the civilian economy. In terms of ultimate civilian employment, these industries bulk much larger than such special problem industries as aircraft and shipbuilding.

In many cases workers will reconvert without even shifting jobs. When a company now making aircraft sub-assemblies is able to resume manufacture of refrigerators, it will probably use the same plant, superintendents, foremen and workers. The point is that an overwhelming proportion of our people will go on doing much the same things in much the same ways, even when they are making new products. Out of 51,200,000 civilian workers, 44,600,000 are in agriculture, railroading, steel, retail trade and other jobs which will continue regardless of munitions schedules, as the following table indicates:

Jobs Not Directly Affected by Cutbacks

Agriculture	7,750,000
Transportation and utilities	3,800,000
Construction	600,000
Mining	800,000
Trade and service	11,400,000
Manufacturing—	
Iron and steel	800,000
Machinery	2,000,000
Other (mostly soft goods)	7,700,000
Government (excluding war agencies, arsenals and Navy Yards)	4,400,000
Miscellaneous	5,350,000
Total	44,600,000

Jobs Most Likely to Be Affected by Cutbacks

Aircraft	1,600,000
Ships	1,300,000
Ordnance and signal equipment	1,800,000
War chemicals	300,000
Federal war agencies	1,600,000
Total	6,600,000
Total employment	51,200,000

The WPB Program

The WPB program is an effort to take full advantage of the natural forces working toward reconversion and reemployment. However, we must not forget: war is an unpredictable business. We have seen the demands for war procurement rise to unheard of figures, drop off suddenly and rise again. We must make our plans on the best estimates and forecasts available. These now indicate only moderate reductions from current levels in our military production. We anticipate, however, additional cutbacks in the next few months and consequently a big expansion in civilian production. We hope this forecast will materialize and that reconversion will be even quicker than estimated; yet, development of new weapons by our enemies or by ourselves or the changing strategy of war may suddenly place new burdens on war production and may force us to cut down once more on production of peacetime goods.

Although the war will still be the country's main job, we must do everything possible to provide job opportunities for returning soldiers and discharged war workers after the defeat of Japan. Toward that end, it is necessary to get rid of regulations and production limitations as quickly as possible. They automatically put ceilings on initiative, imagination, and resourcefulness — the very qualities the country will need most if we are to have a resilient and rapidly expanding economy after the defeat of Japan.

Toward that objective WPB has already taken action to:

(1) "Open-end" the Controlled Materials Plan, effective July 1, to permit the sale of steel, copper and aluminum without restriction, provided there is no interference with authorized CMP orders.

(2) Revoke or amend as many of its L and M orders as the current release of materials from munitions production will permit.

(3) Continue the Spot Authorization Plan for manufacturers seeking larger production than permitted under the remaining orders limiting metal goods output.

(4) Grant assistance to small manufacturers, including veterans and new enterprises, to get their fair share of production materials.

(5) Permit the free movement of surplus steel, copper and aluminum to unrestricted uses.

(6) Project the removal of distribution controls after the third quarter of 1945, except where clearly necessary to prevent genuine and widespread hardship, irreparable damage, or failure to meet such needs as public health and safety.

(7) Amend inventory controls to permit filling of pipe lines and cushion the shock of contract terminations and cutbacks.

(8) Effect a progressive relaxation of the construction control order, L-41, as resources become available.

(9) Assist industry to prepare for civilian production by giving priorities for the acquisition of bottleneck machine tools and equipment, and permitting the construction required to start production at minimum economic rates.

Out of a total of 650 orders and schedules in effect April 1, 1945, 156 have already been revoked. An additional 83 are expected to be revoked in the next six weeks. And more will be added as the materials situation is eased by further cutbacks in military programs.

In this way, the choice of what and how to produce, buy, and sell, after positive assistance to the military and essential war-supplying activities, will be left to the decisions of the thousands of manufacturers, wholesalers, retailers, farmers and ultimate consumers rather than to government agencies and officials.

This program, I believe will be particularly helpful to small business. It eliminates many forms and applications, which are always a greater nuisance to the small company than the large company. Small manufacturers invariably put "paper work" high on the list of their troubles. Also, by cutting out L and M orders as the war situation permits, we will provide opportunities for the smaller companies (which do not have to go through a long toolingup process) to get started promptly.

Expansion Potentials

By and large, the manpower, materials, and facilities released from munitions production will offer substantial opportunities for reconversion and reemployment. To take advantage of those opportunities, however, will require maximum initiative and ingenuity on the part of manufacturers and government.

Today the production of durable goods for the civilian economy amounts to about $7,000,000,000 per year. Even in the face of a high level of munitions output, the potential a year from now (if present estimates for the one-front war hold good) is $16,700,000,000 or more than double current production and about 30% more than the 1939 level.

Expansion will not be confined to durable goods for civilians. If workers are released from munitions plants at the rate now expected, the service trades will also expand. Transportation, public utilities, retail trade, and service activities have had difficulty maintaining adequate working forces. They will hire workers; so will non-durable goods manufacturers, such as textile mills; so, too, will the construction industry.

There is no question that the demand for civilian goods of all types will be large. Statistics indicate that in 1944, if goods had been available, people would have spent close to $120,000,000,000, they actually spent only $98,000,000,000. In 1943 and 1942 consumers similarly were unable to use their incomes as they normally would have. There is a backlog of industrial plant expansion and renovation. At the same time it is anticipated that foreign countries will be in the market for U. S. goods of all kinds—food, clothes, industrial equipment, raw materials.

This pent-up demand is a foundation on which the country can build a strong transitional economy in which decreases in war output will be offset by increases in the production of civilian type goods and services.

Basic Danger

The danger confronting us, as I see it, is that we will overlook the natural resilience of the economy—the capacity of manufacturers, wholesalers, and retailers to re-adapt themselves to changed conditions and hence quickly to utilize the resources released from munitions production. If we were to attempt in Washington to see that every manufacturer, wholesaler, or retailer got his exact share of released manpower or materials, we should be lost in a myriad of rules and regulations. We should get in the way of reconversion rather than speed it.

During the past four years the War Production Board and its predecessors have been engaged in administering the control of materials and facilities under one permanent guiding criterion: whether the particular use of a material or a facility would best contribute to the prosecution of the war. Even with such a clear-cut, unequivocal criterion, the difficulties of administration were imposing. It was often difficult to determine whether the use of a material or a component made a greater contribution to the war effort in one program or in another program; valves for destroyer escorts, for synthetic rubber, and for high octane gasoline are a case in point.

How much greater would be the administrative task if, when this criterion is no longer applicable, the government were to undertake to determine:

Whether materials and facilities should be used in one relatively nonessential civilian industry rather than another nonessential civilian industry; or in one community rather than another;

Whether one competitor should be permitted to resume civilian production rather than another;

To what extent newcomers should be allowed into an industry, and to what extent the production quotas of existing companies should therefore be reduced;

Whether a particular allocation of materials would contribute to greater reemployment than some other allocation;

Or whether a particular allocation would contribute to greater stabilization of the price structure than some other allocation.

In the period ahead, WPB's main objective will continue unchanged; to see that the munitions schedules are met. It is for this purpose that WPB's controls over materials and facilities were designed. This objective is attainable.

Desirable though it may be to attempt to prevent temporary economic dislocations, the experience of those who have lived with these controls during the war clearly dictates that the controls are not suited to that job. Moreover, reason and history indicate that in any readjustment from a war to a peacetime economy, temporary dislocations are inevitable. We must not be stampeded by such dislocations into elaborate controls or special dispensations. Our economy is a jigsaw pattern of interlocking buyers and sellers, producers and consumers. The pieces of the jigsaw will move into place best if we give people scope and leeway—with a minimum of rules, regulations and production controls.

Finally, let me repeat, war production is still our first job. We must not remove controls until it is clear that war production will not be adversely affected. When we remove controls, we cannot promise that they are off for the duration. Further, in removing controls, we must guard against any effort to redesign them for purposes for which they were not intended. Compliance with the controls exercised by the War Production Board is dependent entirely upon the public acceptance of the fact that only those controls necessary to the prosecution of the war are being imposed.

Contract Ending Loans

J. A. Fraser, Manager of RFC Agency in Cleveland, recently called the attention of prime and subcontractors in the Fourth Federal Reserve District, whose war production contracts have been cancelled, to the fact that the Contract Settlement Act of 1944 provides for interim financing pending settlement of claims against a Government Contracting Agency on the war contracts so cancelled.

Under the Act adequate financing is made available either through (1) partial payments on any claims contractors may have as a result of termination, or (2) Government guaranteed loans made by banks to contractors on terminated contracts.

Partial payments are those made on account of the contractor's termination claim without prejudice to the amount of final settlement. These payments are obtained by filing an application on prescribed forms.

Termination loans may be secured by contractors through negotiations with banks, and may be concluded either before or after termination. Funds are made available to the contractor after the cancellation of one or more contracts against a certification to the bank of the amount of the contractor's claims. The certification may include receivables, inventory and amounts paid or to be paid in settlement of subcontractors termination claims.

Mr. Fraser further stated that his Agency has experienced men in contract termination interim financing who are ready to discuss this subject with the banks in this territory or with contractors. RFC will be glad to assist contractors to obtain termination loans through regular banking channels, or directly if such credit is not otherwise available.

Britain Buys 5,000 Pre-Fabricated Houses In Sweden

STOCKHOLM, May 18 (By wireless)— Contracts for 5,000 pre-fabricated wooden houses have been signed in Sweden by a special British official delegation which today returned to England. Deliveries will be made before the end of this year. The total value of these houses is about 25,000,000 Swedish crowns or about $1,193.50 for each house at current rates of exchange. Before buying, the delegates inspected all available models and visited construction plants in various parts of the country.

Strengthen Land Banks

Legislation designed to strengthen the Federal Land Bank System has been passed by the House by voice vote and sent to the Senate, the Associated Press reported from Washington, May 18, stating that the measure provides:

1. That the land banks may make loans up to 65% of the normal value of farms and buildings; such loans now average about 43%. These loans are at an interest rate of 4%.

2. Authority to the banks to purchase loans heretofore made by the Federal Farm Mortgage Corp., and known as "commissioner loans." These loans, originated in the 1930's to head off farm mortgage foreclosures, now are made at a 75% of valuation rate.

The legislation is designed to liquidate the commissioner loans program by July 1, 1946. It provides no further Government appropriations under this program.

Plan Nearly Ready for Allied Occupation

It is expected that an Allied arrangement for the occupation of Germany and Austria will shortly be announced, as soon as final agreement is reached on the complicated details which must be worked out in each military command, the Associated Press reported from Washington, May 25, adding that the announcement would probably mention specific zones of occupation for Russian, French, British and American forces.

Supreme Allied Headquarters itself cannot be disbanded overnight and its responsibilities shifted to separate American, British and French commands, the report points out. Thus far both Berlin and Vienna have been occupied by the Russians exclusively.

Lilienthal Re-appointed

David E. Lilienthal's reappointment by President Truman as director of the Tennessee Valley Authority having won Senate approval, Mr. Lilienthal has now commenced his new nine-year term in that office, the Associated Press reported from Washington, May 22. The only dissenters to the reappointment were Senators McKellar and Stewart (D.-Tenn.) who reiterated their assertion that Lilienthal was "personally and politically obnoxious" to them.

Earlier in the fight waged by the Tennessee Senators several southern communities which benefit from TVA rallied to the support of Mr. Lilienthal and praised his record as TVA chairman.

Churchill Reviews War, Pledges Britain's Continued Aid In Prosecution

In a radio broadcast to the world on Sunday, May 13, Prime Minister Churchill pledged the might and resources of the British Empire to help bring about the fall of Japan, and in the perfecting, together with the United States, of a world peace organization designed in truth to shield the weak. "Certainly," said Churchill, "we are what may well, I think, be admitted by any fair-minded person, in a far better state to cope with the problems and perils of the future than we were five years ago."

The Prime Minister minced no words in roundly criticizing, in the course of his address, the attitude of the Irish government of Premier de Valera throughout the long period of danger for Britain, at the same time praising unreservedly the "thousands of southern Irishmen who hastened to the battle-front to prove their ancient valor."

Implications of a political significance in the Prime Minister's speech were seen indirectly in his statement, as given by the United Press from London, May 13:

I wish I could tell you tonight that all our toils and troubles were over. Then, indeed, I could end my five years' service happily, and if you thought you had enough of me and that I ought to be put out to grass, I assure you I would take it with the best of grace. But, on the contrary, I must warn you, as I did when I began this five years' task—and no one knew then that it would last so long—that there is still a lot to do and that you must be prepared for further efforts of mind and body and further sacrifices to great causes if you are not to fall back into the rut of inertia, the confusion of aim and the craven fear of being great.

Mr. Churchill completed his address by stating Britain's position with regard to future peace plans, according to the United Press text:

On the Continent of Europe we have yet to make sure that the simple and honorable purposes for which we entered the war are not brushed aside or overlooked in the months following our success and that the words freedom, democracy and liberation are not distorted from their true meaning as we have understood them.

There would be little use in punishing the Hitlerites for their crimes if law and justice did not rule and if totalitarian or police governments were to take the place of the German invaders.

We seek nothing for ourselves. But we must make sure that those causes which we fought for find recognition at the peace table in fact as well as words and, above all, we must labor that the world organization which the United Nations are creating at San Francisco does not become an idle name, does not become a shield for the strong and a mockery for the weak. It is the victors who must search their hearts in their glowing hours and be worthy, by their nobility, of the immense forces that they wield.

Beyond all lurks Japan, harassed and failing but still a people of a hundred million for whose warriors death has few terrors.

I cannot tell you how much time or what exertions will be required to compel the Japanese to make amends for their odious treachery and cruelty. We, like China, so long undaunted, have received horrible injuries from them ourselves, and we are bound by the ties of honor and fraternal loyalty to the United States to fight this great war at the other end of the world, at their side, without flagging or failing.

We must remember Australia, New Zealand and Canada, who were and are all directly menaced by this evil power. They came to our aid in our dark times, and we must not leave unfinished any task which concerns their safety and their future. I told you hard things at the beginning of the last five years. You did not shrink, and I should be unworthy of your confidence and generosity if I did not still cry: Forward, unflinching, unswerving, indomitable until the whole task is done and the whole world is safe and clean.

British Ambassador States Nation's Intentions

The day before the Prime Minister's address, the Earl of Halifax, British Ambassador to the United States, during a visit to Reno, Nev., told a press conference, according to an Associated Press report from Reno, May 12, that the United Kingdom "intends to put everything we have into the Pacific war. . . . We have been relieved of a great strain but are not making the mistake of thinking the war is over."

Status of Loan to Britain Reported

In reporting on the status of the $390,000,000 which Great Britain borrowed from the Reconstruction Finance Company to pay for pre-lend-lease war purchases in the United States, John W. Snyder, Federal Loan Administrator, stated, according to the Associated Press from Washington, May 16, that through April 30, the RFC had received payments totaling $160,278,569. Of this $111,976,077 has been applied as principal, $32,842,488 as interest, and $15,460,004 is held in reserve accounts.

The total amount came from the collateral securing the loan. Interest, dividends and other income from this collateral produced $142,933,923 of it, and the rest was the proceeds of the sale by Britain of a small amount of the collateral, the Associated Press report states.

The loan was authorized in 1941 in the amount of $425,000,000, but only $390,000,000 has been disbursed. The collateral consists of securities of American corporation, the capital stock of 41 British-owned insurance companies in this country, and assignment of the earnings of the American branches of British insurance companies.

Pennsylvania Gas Elects Smith Pres.

Louis C. Smith, President of the Harrisburg Gas Company since 1935, was elected President of the Pennsylvania Gas Association at the 37th annual meeting held in Philadelphia May 16. He succeeds Charles K. Steinmetz, Pennsylvania Power & Light Company, of Carlisle, Pa.

Addressing the representatives of the manufactured gas companies comprising the Pennsylvania Gas Association, the new President said: "The gas industry is faced with great responsibilities and the need for aggressive action has been recognized and organized to improve the post-war economics of its business and to meet competition. The American Gas Association has launched a campaign to appropriate $1,400,000 a year for three years to finance an extended program of research, national advertising and general promotional effort. Local gas companies not only should endorse the program of the American Gas Association but should back it up with increased local newspaper advertising and advertising in other media to promote the various uses of gas fuel."

Keynes Contrived International Monetary Scheme

(Continued from first page)

agement of the scheme and its right to enjoy the credit facilities provided by it. Quotas in both proposals are also alterable. Both proposals would place an uncertain limit on the amount a debtor country can borrow, but would confine the borrowing power largely to the size of the quotas. Both also provide for waiving such limitation. Both proposals provide that a debtor country may not borrow more than 25% of its quota in any one year, but here again both provide waiver provisions. Both contain provisions for requiring collateral under certain conditions but neither makes this mandatory.

The quota given under Bretton Woods to each country is referred to as its "subscription" to the Fund. The quotas or subscriptions would consist of a comparatively small amount of gold on the one hand and a large amount of currency on the other. The quotas would be divided into two categories. To one group of countries a quota would mean an amount of borrowing power. To the other group a quota would mean an amount of lending power.

The lending group would represent the creditor countries, and the borrowing group the debtor countries. The arrangement is essentially one by which debtor countries could borrow from creditor countries.

The arrangement is basically similar to the procedure which Keynes, in his plan for a Clearing Union proposes for establishing borrowing quotas. Lord Keynes' scheme would have started operations without any capital, whereas Morgenthau's and the Bretton Woods plan would require each country to pay into the Fund a specified amount of capital before it could start operations. Lord Keynes' provided for building up debits by means of overdrafts by importing countries and credits by exporting countries.

In a speech before the House of Lords on May 18, 1943, he pointed out the basic similarity of the two procedures. He said:

"The American plan requires the member States to provide so-called security against their overdrafts, a requirement which could certainly be met if it is thought useful; but the security in question only to a very small extent consists in an outside security in the shape of gold. It consists mainly of an IOU engraved on superior notepaper, better than would be the case, perhaps, under our own scheme. I have said that, if that is thought useful and worth while, it does not involve any particular problem."

Lord Keynes, therefore, regards the currencies paid into the Fund as being the same as the overdrafts provided for in his plan and designates them as overdrafts, which, of course, is correct. And if the Bretton Woods and Keynes' gold provisions are examined it will be found that they are similar. Lord Keynes provided, Article II, Sec. 6 (10) that,

"A member State shall be entitled to obtain a credit balance in terms of bancor by paying in gold to the Clearing Union for the credit of its clearing account. But no one is entitled to demand gold from the Union against a balance of bancor, * * *."

The Bretton Woods Agreement provides that members shall pay in gold to the Fund, which is estimated at about 20% of the total subscriptions. It also provides, as seen in Article V, Section 6 (a) below that,

"Any member desiring to obtain, directly or indirectly, the currency of another member for gold shall, provided that it can do so with equal advantage, acquire it by the sale of gold to the Fund."

The Bretton Woods proposal, therefore, provides for paying in gold to the international monetary authority the same as Lord Keynes' Clearing Union Plan. The only difference is that the former requires that a certain amount of gold be paid in to the Fund when it starts operations, while the latter does not. But even this difference is more apparent than real, since the gold subscription of each member could actually remain in its own government vault.

Lord Keynes provides for one-way convertibility. Members can pay gold into the Union but may not draw any out. Bretton Woods provides for the same thing, except in case a currency should become scarce it is optional with the Fund to require the member concerned to buy gold from the Fund with its currency.

The quota arrangement may well anticipate permanent rationing among the members of world trade, as we shall see later when we consider Article VII of the Bretton Woods Fund Proposal.

Morgenthau's and Bretton Woods Provisions for Vesting in the Fund Control Over the Price of Gold Compared to a Similar Provision in Lord Keynes' Proposal for an International Clearing Union.

Fig. 9

Keynes' Clearing Union

Art. II, Sec. 6 (4)

"Member States shall not purchase or acquire gold, directly or indirectly, at a price in terms of their national currencies in excess of the parity which corresponds to the value of their currency in terms of bancor and to the value of bancor in terms of gold."

Fig. 10

Morgenthau's Second Draft

Art. III, Sec. 2

"No member country shall purchase or acquire gold, directly or indirectly, at a price in terms of its national currency in excess of the parity which corresponds to the value of its currency in terms of unitas and to the value of unitas in terms of gold, * * *."

Fig 11

Bretton Woods

Art. IV, Sec. 2

"The Fund shall prescribe a margin above and below par value for transactions in gold by members, and no member shall buy gold at a price above par value plus the prescribed margin, or sell gold at a price below par value minus the prescribed margin."

As shown in Fig. 9, Lord Keynes provided in his proposal for a Clearing Union a specific provision for controlling the price of gold. Morgenthau's first draft, though it provided in a general way for the control of the price of gold, contained no specific provision dealing with it. However, in his second draft proposal, three months after publication of his first draft, he copied, practically verbatim, Lord Keynes' provision for the control of the price of gold. This is shown by comparing the language of Fig. 10 with that of Fig. 9 in Exhibit E above.

By referring to Fig. 11, it will be seen that the section in the Bretton Woods proposal relating to the control of the price of gold is in substance the same as that of Lord Keynes, with the exception that it provides for permitting flexibility to members of the price at which they must buy and sell gold. Morgenthau's third draft proposal contained a provision similar to that in the Bretton Woods proposal.

Morgenthau's and Bretton Woods Proposals for Vesting in Foreign Powers Control Over United States Foreign Trade Involving Her Tariffs Compared to a Similar Proposal in Lord Keynes' International Clearing Union Plan.

We are here dealing with one of the most basic provisions of this whole international scheme. Lord Keynes in his proposal for establishing an International Clearing Union greatly elaborates and stresses the importance of this provision, at least to himself and his contrymen for whom he presumes to speak. In Article I of his scheme he says:

"We need a system possessed of an internal stabilizing mechanism, by which pressure is exercised on any country whose balance of payments with the rest of the world is departing from equilibrium in either direction, so as to prevent movements which must create for its neighbors an equal but opposite want of balance.

"Measures would be necessary to prevent the piling up of credit and debit balances without limit, and the system would have failed in the long run if it did not possess sufficient capacity for self-equilibrium to secure this."

The language "We need a system possessed of an internal stabilizing mechanism, by which pressure is exercised on any country," and "the system would have failed in the long run if it did not possess sufficient capacity for self-equilibrium to secure this," is especially significant in showing the importance Lord Keynes attaches to this part of his scheme. When he suggests the use of a "sanction" as a part of the machinery for exercising the desired pressure, as he did in connection with a speech he delivered to the House of Lords May 23, 1944, his proposal takes on an ominous aspect. But pressure and penalties to do what? On this point Lord Keynes, in Article III of his scheme, says:

"In the case of credit balances no rigid maximum has been proposed. For the appropriate provision might be to require the eventual cancellation or compulsory investment of persistent bancor credit balances accumulating in excess of a member's quota;"

"The appropriate provision might be to require the eventual cancellation or compulsory investment" of persistent credit balances. That is, a country with a persistent credit balance might be required by the threat of a sanction to invest such balance or to give its exports away.

To which country is the sanction to be applied? Lord Keynes is brutally frank in telling us. In a speech before the House of Lords May 23, 1944, he said:

"A proper share of responsibility for maintaining equilibrium in the balance of international payments is squarely placed on the creditor countries. * * * The Americans, who are the most likely to be affected by this, have, of their own free will and honest purpose, offered us a **far-reaching formula of protection** against a recurrence of the main cause of deflation during the inter-war years, namely the draining of reserves out of the rest of the world to pay a country which was obstinately borrowing and exporting on a scale immensely greater than it was lending and importing."

So it is the United States that has been the offender and it is against her that a sanction is to be imposed, should she misbehave in the future. And what is more, "the Americans have, of their own free will and honest purpose, offered us (the British and other countries) a far-reaching formula" containing a penalty provision by which we, the people of the United States, can, in the future, be made to behave in our international trade relations with them. We should be interested, indeed, in knowing just where in the scheme this "far-reaching formula" is to be found, and of just what it consists.

Here again Lord Keynes leaves no one in doubt. He tells us precisely where to find his formula. In the speech just referred to he said:

"Under Clause VI of the plan a country (meaning the United States) engages itself, in effect, to prevent such a situation (draining of reserves out of the rest of thte world to pay a country which was obstinately borrowing and exporting on a scale immensely greater than it was lending and importing) from arising again, by promising, should it fail, to release other countries from any obligation to take its exports, or, if taken, to pay for them. I cannot imagine that this sanction would ever be allowed to come into effect. If by no other means, than by lending, the creditor country will always have to find a way to square the account on imperative grounds of its own self-interest. For it will no longer be entitled to square the account by squeezing gold out of the rest of us. Here we have a voluntary undertaking, genuinely offered in the spirit both of a good neighbor and, I should add, of enlightened self-interest, not to allow a repetition of a chain of events which between the wars did more than any other single factor to destroy the world's economic balance and to prepare a seed-bed for foul growths. This is a tremendous extension of international cooperation to good ends. I pray your Lordships to pay heed to its importance."

Clause VI here referred to by Lord Keynes deals with the problem of scarce currencies, and is contained in Morgenthau's third draft proposal where he changed the title from "United and Associated Nations Stabilization Fund" to "Joint Statement of Experts on the Establishment of an International Monetary Fund," which was published April 21, 1944. In accordance with President Roosevelt's instructions to the American and foreign delegations at Bretton Woods to "adhere" to the Joint Statement of Experts Clause VI referred to by Lord Keynes was inserted in the Bretton Woods Proposal where it appears as Article VII.

Mr. Harry D. White, technical adviser to Mr. Morgenthau, testifying before the House Committee on Banking and Currency on Bretton Woods when asked by me whether Article VII in the Fund Agreement contained the provision as indicated by Lord Keynes, replied as follows:

"The Bretton Woods Agreement contains the provision which in effect accomplishes specifically what he refers to and that is contained in Article VII under 'Scarce Currencies'."

It may be well at this point to insert a copy of the instructions given by President Roosevelt to the delegates at Bretton Woods:

"In formulating a definite proposal for an International Monetary Fund, both you and the other delegates will be expected to adhere to the joint statement of principles of an International Monetary Fund, announced April 21, 1944. You, as head of the delegation, are authorized, however, after consultation with the other delegates, to agree to modifications which, in your opinion, are essential to the effectuation of an agreement and provided that such modifications do not fundamentally alter the principles set forth in the joint statement.

"You will apply the same principles in your discussions and negotiations with respect to the proposed Bank for Reconstruction and Development except that you will be governed by the principles agreed upon by the American Technical Committee."

It should be said that the delegates at Bretton Woods in all essentials complied with President Roosevelt's instructions. This alone should be sufficient to successfully counter the claims that are being made by State, Treasury and other government department officials, as well as the proponents of the scheme in general, that the delegates of 44 nations assembled at Bretton Woods wrote the agreements which bear the name of that summer resort.

Section 3 (a) of Article VII provides that:

"If it becomes evident to the Fund that the demand for a member's currency seriously threatens the Fund's ability to supply that currency, the Fund, whether or not it has issued a report under Section 1 of this Article, shall formally declare such currency scarce and shall thenceforth apportion its existing and accruing supply of the scarce currency with due regard to the relative needs of members, the general international economic situation, and any other pertinent considerations. The Fund shall also issue a report concerning its action."

Therefore, if the directors found that their ability to supply a particular currency was threatened whether or not they had issued a report indicating that such scarcity was developing, it would be mandatory for them to declare such currency scarce. It would also be mandatory for them to thenceforth apportion or ration such currency as remained available to the Fund. The rationing of a scarce currency would mean the rationing of exports of the country issuing such currency.

Section 3 (b) of Article VII provides:

"A formal declaration under (a) above shall operate as an authorization to any member, after consultation with the Fund, temporarily to impose limitations on the freedom of exchange operations in the scarce currency. Subject to the provisions of Article IV, Sections 3 and 4, the member shall have complete jurisdiction in determining the nature of such limitations, but they shall be no more restrictive than is necessary to limit the demand for the scarce currency to the supply held by, or accruing to, the member in question; and they shall be relaxed and removed as rapidly as conditions permit."

Accordingly, when once the Directors had declared a particular currency scarce, any member of the Fund, after consultation with the Fund, would be authorized to restrict the use of such currency, and boycott American exports.

Section 1 of Article VII provides that:

"If the Fund finds that a general scarcity of a particular currency is developing, the Fund may so inform members and may issue a report setting forth the causes of the scarcity and containing recommendations designed to bring it to an end. A representative of the member whose currency is involved shall participate in the preparation of the report."

It is to be noted that this is a permissive and not a mandatory provision. According to testimony submitted to the Committee by Mr. Harry D. White, the executive directors would be vested with the responsibility of determining when a general scarcity of a particular currency was developing. Therefore, when the directors saw that a currency was becoming scarce it would be optional with them as to whether or not they would issue a report showing the causes of the scarcity and making recommendations to bring it to an end. If a report were made it would presumably be made not to the public but only to the "members," which means the representatives of the countries belonging to the scheme.

Let us suppose Congress approves the proposal and the United States contributes $2,750,000,000 to the Fund. Let us further suppose that the promises of the advocates of the scheme have come true, that the dollars we put into it caused a great increase in our export trade, correspondingly raised the general level of prosperity and provided the many jobs they claim would be provided. Industrial enterprises and the millions employed, directly or indirectly, in the production of goods for export would be ignorant of the fact that the dollars upon which they have been depending to support their endeavors were about to become exhausted. By and large, those people so engaged would feel confident that the prosperity they were enjoying was based on sound principles and manage their affairs accordingly. The fact that dollars were becoming exhausted would be known only to the executive directors of the Fund. The first inkling those concerned with the production of export goods would have that the dollars in the Fund were running out would be when the order to ration exports had actually been put into effect, for otherwise rationing of our exports would have to start from the beginning of the Fund's operation or certainly long before any serious shortage developed.

Insofar as our export trade was dependent upon the available supply of dollars in the Fund the moment the directors declared the existence of scarce dollars and issued an order rationing our exports there would of necessity take place a sudden slowing down of the whole export industry.

The provision for making it permissive and not mandatory for the directors to issue a report to the representatives of member countries indicating that dollars were becoming scarce and stating the causes thereof may be intended to prevent them from hoarding dollars. However, with 12 directors on the Fund, it is difficult to see how hoarding of dollars could be prevented.

To base our export trade on a politically improvised arrangement of this sort is a complete departure from all tried and proven principles upon which such trade has heretofore been conducted. Once our exports had been subjected to rationing this might well be expected to become permanent in some measure. The process would inevitably call for additional and more restrictive measures ad infinitum. Indeed, the procedure of rationing our exports would be an authoritarian procedure and like all authoritarianism would ever tend to crush out, wherever it might touch, all voluntary cooperation, in the domestic as well as in the international sphere, between private citizens of the same country and of one country with another.

Let us now consider the remedies which would be available "to bring scarce dollars to an end." Section 2 of Article VII relates to measures for replenishing the Fund's holdings of scarce currencies. It provides that:

"The Fund may, if it deems such action appropriate to replenish its holdings of any member's currency, take either or both of the following steps:

"(i) Propose to the member that, on terms and conditions agreed between the Fund and the member, the latter lend its currency to the Fund or that, with the approval of the member, the Fund borrow such currency from some other source either within or outside the territories of the member, but no member shall be under any obligation to make such loans to the Fund or to approve the borrowing of its currency by the Fund from any other source.

"(ii) Require the member to sell its currency to the Fund for gold."

Note that it would be permissive on the part of the Fund to resort to any of these means for replenishing a scarce currency. Another means not mentioned in this Article by which dollars could be replenished in the Fund would be to raise our quota as provided in Section 2 of Article III.

However, H. R. 2211 provides that neither our quota can be raised nor the Fund borrow dollars from the United States without specific authorization from the Congress.

But the Fund could without Congressional authority borrow dollars from some other source, say, certain private banking institutions in the United States, and private banking as well as government institutions in foreign countries without Congressional authorization. It would require only 51% of the votes of the executive directors to carry out this provision. The United States would have only 28% of the voting power when the Fund was set up and considerably less after other countries not included in the original membership had been admitted.

By a 51% vote of the executive directors a member could be required to sell its currency to the Fund for gold. Thus, the United States could be made to sell its currency for any gold the Fund might have to offer.

Let us again suppose the Fund to be in operation. The level of prosperity has been appreciably elevated through increased export trade as result of the dollars put into the scheme. The Fund has declared dollars to be scarce and rationed our exports. All the industrial processes pertaining to our export trade have suddenly been slowed down. Suppose under these conditions the Fund comes to the Congress of the United States and asks for more dollars, either in the form of a "loan" or an outright grant by the raising of our quota. How possibly could Congress refuse such a request? Manufacturers, farmers, wage earners and others would undoubtedly bring great pressure to bear upon Congress to approve the request.

And we should be prepared to deal with pressure from the borrowing members whenever they deem it advisable to have us pour additional dollars into the international credit pool. Lord Keynes apparently takes it for granted that the United States is by the terms of the Agreement obligated to replenish the Fund's holding of dollars whenever it decides this is needed. In his May 23, 1944, speech to the House of Lords he said:

"The quotas for drawing on the Fund's resources are an iron ration * * *."

Note that quotas mean to Britain credits which she can draw on, not assets she can contribute.

"The quotas are not so large as under the Clearing Union. * * * But they are substantial and can be increased * * *."

Could not this replenishing of the Fund's holding of dollars become a regular and long drawn out repetitious process?

However, as previously stated, it is permissive and not mandatory on the part of the executive directors to ask the United States to replenish an exhausing supply of dollars in the Fund. The executive directors could elect not to ask the United States to put more dollars into the Fund. Should they decide to do this Congress would be helpless in the matter. Regardless of how willing it might be to advance more dollars or how desirable it might be on the part of industry to have it do so, Congress would be entirely estopped from voting more dollars to the Fund if the foreign nations so decided. They would be in complete control since only a 51% vote would be required to produce this situation. Thus it would be within the power of foreign countries to temporarily or permanently ration our export trade.

It is this particular arrangement which constitutes Lord Keynes' "internal stabilizing mechanism, by which pressure is exercised on a country whose balance of payments with the rest of the world is departing from equilibrium * * *." Here is the "far-reaching formula of protection against a recurrence of the main cause of deflation during the inter-war years, namely the draining of reserves out of the world to pay" the United States "which was obstinately borrowing and exporting on a scale immensely greater than it was lending and importing." It is through this arrangement that Lord Keynes says the United States "engages itself, in effect, to prevent such a situation from arising again, by promising, should it fail, to release other countries from any obligation to take its exports, or, if taken, to pay for them," and which penalty he says he cannot imagine would ever be allowed to come into effect.

Here is provided, as Lord Keynes tells us, the prohibition against the United States squaring her international account by "squeezing" gold out of Great Britain and other countries, and the barrier against "a repetition of a chain of events which between the wars did more than any other single factor to destroy the world's economic balance and to prepare a seed-bed for foul growths."

In case dollars had been declared scarce in the Fund, foreign countries might say to the United States, and they would have the power to do so,

"We will permit you to put more dollars into the Fund on condition that we need not repay you in dollars, goods or services."

Or, they might say to the United States,

"We prefer replenishing the Fund's holding of dollars by increasing our exports to the United States. Therefore, remove your tariff barriers and permit free entry into your country of our goods."

To both of these propositions the United States could demur. But the foreign countries in control of the Fund could then elect to temporarily or permanently ration our export trade.

Here is the crux and modus operandi of Lord Keynes' "pressure mechanism," the "far-reaching formula" contained in Article VII of the Bretton Woods Proposal for an International Monetary Fund, by which Great Britain and other countries could force the United States to maintain equilibrium in her balance of payments with the rest of the world, or failing in this, penalize her by compelling her to give her goods away, or peradventure compel her to lower or abrogate her tariffs.

In this connection it may be well to quote from Ragnar Nurkse[1], who, it should be mentioned, apparently favors the scheme. He says:

"Besides, the Bretton Woods scheme is not strictly confined to monetary policy. That part of it which provides for the apportionment of any currency declared by the Fund to be 'scarce' represents essentially a measure of commercial policy. A hypothetical example will make this clear. If the dollar were to become a scarce currency under the Fund arrangement, the rationing of dollars which would then come into operation would discriminate against the exports of the United States. Such rationing would, for example, divert Britain's demand for cotton from the United States to, say, Brazil, even if cotton were cheaper in the United States; and it would similarly divert Brazil's purchases of automobiles from the United States to England, even if automobiles were cheaper in the United States. In sum, it would divert the effective demand of the outside world away from United States' products in order to make it equal to the United States' demand for the products of the outside world. In monetary terms, this would mean cutting down the international demand for dollars so as to make it fit the available supply. The same result of equating demand and supply could be achieved if, in the circumstances considered, the United States were to lower its tariff. The only difference would be that in this case demand and supply would be equated by increasing the supply of dollars rather than by cutting down the demand for them."

Mr. Harry White, Assistant Secretary and chief monetary expert of the Treasury, is quoted as having said:

"The Fund might find that the causes of the scarcity were high trade barriers in the country whose currency was scarce, or a failure to undertake adequate international investment, and it (the Fund) would propose appropriate remedies."

This whole arrangement is an integral part of the terms of the contract to which the proponents of this scheme are asking the United States to permanently bind herself.

Are we to believe that "the Americans * * * have, of their own free will and honest purpose offered" Great Britain and other foreign countries this artifice to thus place our export trade in their control?

The Expansionist Pressure on World Trade

Lord Keynes' Clearing Union plan, Article IV, provides that,

"The plan aims at the substitution of an expansionist, in place of a contractionist, pressure on world trade.

"It effects this by allowing to each member State overdraft faciiities of a defined amount."

The quota arrangement of the Fund providing as it does automatic loans, or subject to being made completely automatic by a majority vote of the Fund, of specified amounts, and also the means for further advances as provided in Articles III and VII would certainly supply the instrumentality to produce "expansionist pressure on world trade."

It has been estimated that Keynes' scheme provides an aggregate for all quotas of $25,000,000,000. The Fund would have a "capitalization" of $8,800,000,000. This is being interpreted by some as representing something in the nature of a basic difference between the two plans. But it should be borne in mind that the figure for the Clearing Union is purely theoretical and represents a maximum. Members of the British Parliament in considering the Clearing Union plan looked upon the $25 billion figure as being in excess of actual needs. (See address by Mr. Kingsley Wood in the House of Commons, May 12, 1943.)

Furthermore, it should not be overlooked that the $8.8 billion represents but the initial amount that would be involved. Judging from the nature and objects of the scheme, and the experience we have had with other government financial agencies, such as Commodity Credit, Reconstruction Finance Corporation, Lend-Lease, etc., we should expect the capitalization of the Fund to be increased from time to time and not be surprised if ultimately we came to an expansion of credit equal to or even exceeding that provided by Lord Keynes in his proposal.

Quoting again from Lord Keynes' May 23, 1944, speech:

"The quotas are not so large as under the Clearing Union, * * * But they are substantial and can be increased subsequently if the need is shown. The aggregate for the world is put provisionally at £2,500,000,000. Our own share of this — for ourselves and the Crown Colonies * * * is £325,000,000."

Parenthetically we might mention that is the amount of the quota which was allotted Great Britain at Bretton Woods. How did it happen that Lord Keynes knew what his country's quota would be before the Bretton Woods conference was held?

There is at the moment nothing to indicate that world-wide inflation of credit with consequent loss of purchasing power of the dollar and other monetary units would be less under the Bretton Woods Proposal than the Lord Keynes plan.

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[1] Conditions of International Monetary Equilibrium, Ragnar Nurkse, Economic, Financial and Transit Department, League of Nations, Princeton. N. J., Essays in International Finance No. 4, Spring 1945—Page 19.

Truman Shifts Cabinet

Announcing that he had accepted the resignations of Attorney General Francis Biddle, Secretary of Labor Frances Perkins, and Secretary of Agriculture Claude E. Wickard, President Truman announced his nominees to succeed these members of the late President Roosevelt's cabinet and gave evidence of the major reorganization which has been anticipated from him since he took office six weeks ago, the Associated Press advised from Washington, May 23.

To replace Miss Perkins in the Labor post, Mr. Truman named Federal Judge Lewis B. Schwellenbach, of Washington State, 50-year-old former Senator and close friend of the President.

Representative Clinton P. Anderson, 49-year-old New Mexican who heads the special House Food Investigating Committee and who, like Schwellenbach, supported most Roosevelt proposals, was named Secretary of Agriculture in place of Claude E. Wickard, 52. The latter was designated Rural Electrification Administrator.

Anderson also will take over the duties of the War Food Administration as soon as Marvin Jones returns to the U. S. Court of Claims bench June 30.

Political observers viewed the selections as retaining a somewhat "liberal tinge" to the cabinet, although both so-called "conservative" and pro-Roosevelt factions in Texas were reported pleased with the promotion of Tom C. Clark, of Dallas, 45-year-old Assistant Attorney General, to succeed Francis Biddle, 59.

Clark has been in the Justice Department since 1937. On Capitol Hill he has been on equally good terms with fellow Texans of both the pro- and anti-Roosevelt schools. Born in Dallas, Sept. 23, 1899, he was educated at Virginia Military Institute and the University of Texas.

Schwellenbach, who takes Miss Perkins' place, was a strong New Deal supporter while in the Senate, which he left in 1940 to become district judge for the eastern district of Washington. A firm advocate of the Wagner Labor Relations Act, he once said industrial strife would cease if capital and labor would freely use the machinery now provided by that law.

He was born at Superior, Wis., September 20, 1894, and graduated from the University of Washington. He served as a private in the 12th Infantry in the first World War.

Anderson, Wickard's successor, is now serving his third term in the House. He was born in Centerville, S. D., October 23, 1895, and is a former State Treasurer of New Mexico.

Jones in his letter of resignation said the Chief Justice of the Court of Claims desired his early return to the bench. He also said while the war was going on both in Europe and Far East there was considerable logic in having a separate War Food Administration and that it had worked well.

"Now that victory in Europe has been achieved," he wrote, "I feel that the work of the department of war food could well be carried on by the Secretary of Agriculture, probably with somewhat less expenditure of funds."

In accepting his resignation and his merger proposal, the President told Jones:

"It is to the everlasting credit of the War Food Administration that even after supplying the great demands made upon us from all over the world, the American people as a whole not only did not go hungry but actually enjoyed a better diet than in the days before the war."

WPB Revokes Certain Controls, Conversion Program Outlined

J. A. Krug, War Production Board Chairman, has announced that 73 orders which limit or prohibit the manufacture of civilian products have been revoked, as of May 10, the Associated Press reported from Washington on that date. Outlining his program for "orderly" removal of industrial controls and asking manufacturers not to "jump the gun" on the reconversion timetable, Krug went on to say that about half the 420 orders on WPB's books will have been removed "within the next few months."

Those already dropped include most of the curbs on "hard goods" except for those using large quantities of metal, such as automobiles, furniture, refrigerators, and stoves.

Mr. Krug set July 1 as the date on which business will be given unrestricted access to such steel, copper and aluminum as is not taken up by priority orders for war and war-supporting activities.

Metals to Be Allocated

Until that is done, the revocation of individual controls means little in terms of building up civilian supplies, for WPB's machinery for the allocation of metals will continue to channel them to war and essential uses only.

Ordinary manufacturers resuming or increasing civilian goods output will have to depend on idle, surplus or second-hand materials until this machinery, the familiar "Controlled Materials Plan" is opened up to let them receive the three basic metals, according to the Associated Press.

However, such non-priority orders may be placed at once, Mr. Krug said, to become valid on the books of steel, aluminum and copper mills when the July 1 relaxation occurs. Thereafter mills will made deliveries, subject to the rule that they do not interfere with WPB-authorized orders.

Mr. Krug warned that industry "is expected to continue compliance with all WPB orders and regulations as long as they remain in effect."

"Industry has cooperated magnificently," he said. "I have complete confidence that industry will continue this cooperation and will not try to jump the gun on reconversion."

Preliminary Moves

Two additional actions preparatory to partial reconversion were announced by the production chief, the Associated Press stated. They were:

1. The granting of an AA-4 priority rating—a rating lower than that accorded most essential civilian production, but sufficient to assure favored treatment—to all manufacturers who produce less than $50,000 worth of goods a quarter. This help will start July 1 and end Dec. 31.

2. The removal of most "rating floors"—rules which prescribe that orders must carry a specified rating or be ignored—to permit the placing of non-priority orders in cases where production and delivery will not interfere with rated orders.

The WPB Chairman said he would announce shortly a simplified priority system having only two ratings, "MM" for military goods and "CC" for needed civilian products. This will come into use gradually, it was indicated.

Eases Motion Picture Projection Equipment

The WPB announced on May 11 that Limitation Order L-325, originally issued Nov. 22, 1943, governing production and distribution of motion picture projection equipment (including sound and amplifying systems), for use in exhibiting 35-mm. film, has been revoked. Other controls over acquisition and use of materials for production of projection equipment remain in effect. Sale and loan of new projection equipment no longer is subject to specific WPB authorization on Form WPB-1319.

Norris Explains Fight On League of Nations

The late Senator George W. Norris, one of the "willful 12" who blocked United States participation in the League of Nations, felt that instead of a multimember league it should have been restricted to those stronger nations who could be "numbered on the fingers of one hand," said an Associated Press dispatch from Lincoln, Neb., on May 12, which added:

This indication that the "fighting liberal" and veteran of 40 years in Congress felt his anti-League stand was misunderstood is disclosed in Norris's autobiography, "Fighting Liberal," released on May 12 by the MacMillan Publishing Co.

In this history of his early life as one of 12 children of a Pennsylvania Dutch family, and his 40 years of public service—five consecutive terms in the House of Representatives and an equal number in the Senate—the late Nebraska Senator spoke of the reforms he instituted and the laws he sponsored, of battles unfinished, of rights won that must be guarded daily.

The book was edited and compiled by Norris's close friend, James E. Lawrence, editor of the Lincoln "Star."

That his stand against the League was not a decision reached when the covenant and the Versailles Treaty were presented to Congress, is set forth in a letter to a friend.

The letter was written in March, 1918, to Walter Locke, now editorial director of the Dayton "Daily News." He expressed this thought:

"I think we should take the world as it is and not as we would like to have it. It seems, therefore, inadvisable to me to enter into any agreement that would make it necessary for us, or for that matter, for any nation, to maintain standing armies for the support of new and independent governments that it is intended to establish among semi-civilized people. Such a course not only is dangerous and will in my opinion bring failure to that part of the enterprise, but it is in no sense necessary to the peace of the world.

"The right kind of a league between nations that can be numbered on the fingers of one hand will insure a permanent peace."

The book relates how he had advocated organization of that type of league five years before World War I.

He was fearful, too, in debate on the World War I treaty, of the provisions giving to Japan the German island possessions in the Pacific, expressing those fears on the floor of the Senate:

"I have them—illustrations, posters, newspapers of all kinds—that go to show that the Japanese people believe Japan is destined to rule the world. This is one of the steps. There is not any question but what hidden in the heart of Japan is an idea that the Mikado some day will rule the world."

New Trust Business Developed Says ABA

The importance of cooperation of officers, directors, and employees of the commercial department with the trust department of their bank in developing new trust business is emphasized in the current May issue of the "Trust Bulletin," official publication of the Trust Division of the American Bankers Association.

In an article captioned, "Survey Shows Officers, Directors Cooperate to Get New Business," the Committee on Trust Information reports on a survey made to obtain more information regarding methods used by trust departments to insure cooperation with commercial banking officers and bank directors in obtaining trust business. A four-page questionnaire was mailed to a representative cross section of 419 Trust Division members and 193 answers were returned, according to Craig R. Smith, chairman of the committee, who is also Assistant Vice-President of the Central Hanover Bank and Trust Company, New York, N. Y.

The article in the "Trust Bulletin" says in part: "Trust business in the United States has enjoyed its steady growth over the past 125 years, not as a separate business but primarily as an affiliated service of the commercial bank. At the present time there are less than a half hundred companies engaged exclusively in the trust business or in conjunction with safe deposit business.

National Bank Assets Higher Than Year Ago

The total assets of national banks on March 20 of this year amounted to more than $76,000,000,000 ($76,160,538,000), it was announced on May 22 by Comptroller of the Currency Preston Delano. Returns from the call covered the 5,025 active national banks in the United States and possessions. The assets reported were $789,000,000 less than the amount reported by the 5,031 national banks on December 30, 1944, the date of the previous call, but an increase of nearly $10,000,000,000 over the amount reported by the 5,048 active banks on April 13, 1944, the date of the corresponding call a year ago. The Dec. 30 figures were noted in our issue of March 15, page 1187. In his advices of May 22 the Comptroller says:

"The deposits of national banks on March 20, 1945 were over $71,000,000,000, a decrease since December 1944 of $946,000,000, but an increase since April 1944 of $9,373,000,000, or more than 15%. While the demand deposits of individuals, partnerships, and corporations increased $2,065,000,000 from December 1944 to March of 1945, amounting to $38,386,000,000 on the latter date, and time deposits of individuals, partnerships, and corporations rose nearly $800,000,000 in the period to $13,445,000,000, the reduction of $3,573,000,000 in War Loan deposits was the principal reason for the net decrease in aggregate deposits between December and March. Deposits of the United States Government, including War Loan accounts, in March were $7,610,000,000 in comparison with $11,167,000,000 on Dec. 30, 1944, and $7,196,000,000 on April 13, 1944. Deposits of States and political subdivisions were $3,266,000,000, deposits of banks were $7,650,000,000, postal savings were $5,000,000; and certified and cashiers' checks, cash letters of credit and travelers' checks outstanding were $822,000,000.

"Loans and discounts on March 20 this year were 8% less than on Dec. 30, 1944, and amounted to $10,545,000,000, but were $595,000,000, or 6%, more than total loans reported outstanding by the banks on April 13, 1944. The percentage of loans and discounts to total deposits on March 20, 1945, was 14.81 in comparison with 15.94 on Dec. 30, 1944, and 16.10 on April 13, 1944.

"Investments in United States Government securities, direct and guaranteed, of $44,000,000,000 showed an increase of $515,000,000 since December 1944, and an increase of $7,262,000,000 since April 1944. Other bonds, stocks, and securities held of $3,646,000,000, which included obligations of States and political subdivisions of $2,129,000,000, increased $103,000,000 since December, and $213,000,000 since April last year.

"Cash of $971,000,000, balances with other banks of $6,714,000,000, and reserves with Federal Reserve banks of $9,528,000,000, a total of $17,213,000,000, showed a decrease of $424,000,000 since December, but an increase of $1,814,000,000 in the year.

"The unimpaired capital stock of the banks on March 20, 1945 was $1,576,000,000, including $84,000,000 of preferred stock. Surplus was $1,834,000,000. undivided profits $704,000,000, and reserves $272,000,000, or a total of $2,810,000,000. This was an increase of $102,000,000 over the surplus, profits and reserves on Dec. 30, 1944, and an increase of $292,000,000 over the aggregate of these items in April last year.

Reiner on Surplus Board

The appointment of Major Jonas Reiner as deputy administrator for consumer's goods of the Surplus Property Board was announced on March 16 by the Board. Major Reiner was supervise the disposal of all surplus distributed by the Commerce Department and War Food Administration. The announcement states:

"As executive head of his own manufacturing and distribution firms in the textile field and as one of the organizers of the Army Exchange Services, he brings to the board a combination of realistic business experience and large-scale Government operation.

"After 25 years in the textile industry, Major Reiner was called by the Army in 1942 to help establish the Army Exchange Service, which operates thousand of Army exchanges on every front and does a business of more than $1,000,000,000 a year. He has now reverted to inactive status to accept his appointment as deputy administrator. His home is in New York City.

He has stated his own conception of the task ahead of him as follows: "I feel that my job offers the opportunity to reclaim as many dollars as possible of the money Americans have spent on the war and, which is even more important, dispose of these surpluses in such a way as to benefit every American community and contribute largely to the goal of full employment."

Living Costs at War-Time Peak in April

Living costs for the average family of wage earners and lower-salaried clerical workers in the United States rose 0.4% from March to April, according to the National Industrial Conference Board's monthly report which further said:

The index stood at 105.8 (1923 =100), 23.0% above that of January, 1941, base month of the Little Steel formula. It was at the highest point for the war period and the highest since December, 1925.

There were increases of 0.7% in the cost of food, 0.3% in clothing and 0.1% in sundries. Fuel and light declined 0.1%, and housing costs remained unchanged. Living costs in April were 1.5% higher than a year ago.

Purchasing power of the dollar, in terms of 1923 goods, was 94.5 cents in April. A year ago it was 96.0 cents.

To Draft Less 30-Year-Olds

Emphasizing that the needs of the armed forces are for men under 30 years of age, National Headquarters of Selective Service of May 22 announced that local boards are being requested to liberalize occupational deferments so as to reduce the total number of men to be inducted in the 30 through 37-year-old group—particularly those who are fathers—and to review cases of registrants in the age group 18 through 25 who have heretofore been rejected for general military service or found qualified for limited service only, and forward for re-examination those whom they have reason to believe may qualify for military service.

The five main points covered in the local board memorandum are:

(1) Need of the armed forces for young men,

(2) Review by local boards of cases of IV-F and limited service registrants 18 through 25, and forwarding for re-examination those whom they have reason to believe may qualify for military service.

(3) Liberalization of deferment policies for men over 30 especially for those who are engaged in work useful to the community,

(4) The fact that cutbacks in war plants will make older men available for war production jobs, thereby enabling the release of younger men now occupationally deferred for military service; and also that discharged veterans will be available in increasing numbers to replace the younger men now holding occupational deferments, and

(5) The 42A (Special Revised) procedure will remain in full effect pending receipt of more accurate information concerning the urgency of certain war production programs and services.

"The armed forces have again stated that there is need for young men, preferably below 30 years of age," states the memorandum announcing that revised requirements provide that to be eligible for occupational deferment a registrant 30 through 33, as well as a registrant 34 through 37, need merely be "regularly engaged in an activity in support of the national health, safety and interest or useful to the community, or in an activity in war production or in an agricultural occupation or endeavor essential to the war effort." It was previously required that registrants 30 through 33 be found "necessary to" as well as "regularly engaged in" the occupations described in order to be eligible for occupational deferment.

Army Officers May Retain Reservist Rank

The War Department has announced that commissioned officers in the Army of the United States (not Regular Army commissioned men) may join the Officers' Reserve Corps after the war with the highest temporary rank held at the time active service is ended, the Associated Press reported from Washington, May 21.

Reserve officers represent 25% of the officer strength of the Army in this war, and it is expected the strength of the post-war organized reserve corps "will be several times greater than it has been in the past," the department said.

Appointment in the Officers' Reserve Corps will be offered for an initial period of five years.

The department said that "some temporary adjustment in rank probably will have to be made particularly in cases of younger reserve officers, while on extended active duty with the regular Army or National Guard to co-ordinate ages and grades."

A general staff reserve policy committee has been studying the subject of the post-war organized reserve corps since last October.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES†
(Based on Average Yields)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
May 28	122.25	115.43	120.63	118.80	115.63	107.44	112.37	114.85	119.20
26	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
25	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
24	122.29	115.43	120.43	118.80	115.43	107.44	112.19	114.85	119.20
23	122.33	115.24	120.63	118.60	115.43	107.27	112.19	114.66	119.20
22	122.33	115.24	120.43	118.60	115.43	107.27	112.19	114.66	119.20
21	122.31	115.43	120.63	118.80	115.43	107.27	112.19	114.66	119.41
19	122.31	115.43	120.63	118.80	115.43	107.27	112.19	114.66	119.41
18	122.31	115.43	120.63	118.80	115.43	107.27	112.19	114.66	119.41
17	122.31	115.24	120.63	118.60	115.43	107.09	112.19	114.46	119.41
16	122.25	115.24	120.63	118.60	115.43	107.09	112.37	114.46	119.20
15	122.19	115.24	120.63	118.60	115.43	107.27	112.19	114.46	119.20
14	122.21	115.24	120.63	118.60	115.43	107.27	112.19	114.46	119.41
12	122.26	115.24	120.84	118.40	115.63	107.09	112.19	114.46	119.20
11	122.26	115.24	120.84	118.40	115.43	107.09	112.19	114.46	119.41
10	122.28	115.24	120.84	118.40	115.43	107.09	112.19	114.46	119.41
9	122.34	115.24	120.84	118.40	115.43	107.09	112.19	114.27	119.41
8	122.38	115.24	120.84	118.40	115.24	107.09	112.19	114.27	119.41
7	122.38	115.24	120.84	118.20	115.43	107.09	112.19	114.27	119.41
5	122.38	115.24	120.84	118.40	115.43	107.09	112.19	114.27	119.41
4	122.38	115.24	120.84	118.40	115.24	107.09	112.00	114.27	119.41
3	122.38	115.04	120.63	118.40	115.24	106.92	112.00	114.27	119.41
2	122.38	115.24	120.84	118.40	115.24	107.09	112.19	114.27	119.41
1	122.36	115.24	120.84	118.40	115.24	107.09	112.19	114.27	119.41
Apr. 27	122.38	115.24	120.84	118.40	115.04	107.09	112.19	114.27	119.20
20	122.44	115.04	120.84	118.40	115.04	106.56	111.81	114.27	119.20
13	122.59	115.04	120.84	118.60	115.04	106.56	111.81	114.46	119.20
6	122.21	115.04	120.84	118.40	115.04	106.39	111.44	114.46	119.20
Mar. 31	122.01	114.85	121.04	118.40	114.85	106.04	111.25	114.27	119.20
23	122.19	115.04	121.04	118.60	114.85	106.21	111.44	114.27	119.41
16	122.25	115.04	120.84	118.80	114.66	106.39	111.07	114.46	119.41
9	122.47	114.85	120.63	118.60	114.66	106.21	110.88	114.46	119.41
2	122.05	114.66	120.43	118.60	114.46	106.21	110.70	114.27	119.61
Feb. 23	121.92	114.66	120.02	118.60	114.46	106.04	110.52	114.08	119.41
16	121.97	114.46	120.02	118.60	114.27	105.69	110.15	114.08	119.41
9	121.58	114.27	119.82	118.40	114.08	105.69	109.97	114.08	119.20
2	121.33	114.08	119.82	118.00	113.89	105.34	109.60	114.08	118.80
Jan. 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
High 1945	122.59	115.43	121.04	118.80	115.63	107.44	112.37	114.85	119.61
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago									
May 29, 1944	119.67	112.19	118.40	116.80	111.81	102.46	105.86	113.89	117.00
2 Years Ago									
May 29, 1943	119.82	110.34	118.20	115.82	111.07	97.78	102.30	113.31	115.82

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
May 28	1.64	2.88	2.62	2.71	2.87	3.31	3.04	2.91	2.69
26	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
25	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
24	1.64	2.88	2.63	2.71	2.88	3.31	3.05	2.91	2.69
23	1.64	2.89	2.62	2.72	2.88	3.32	3.05	2.92	2.69
22	1.64	2.89	2.63	2.72	2.88	3.32	3.05	2.92	2.69
21	1.64	2.88	2.62	2.71	2.88	3.32	3.05	2.92	2.68
19	1.64	2.88	2.62	2.71	2.88	3.32	3.05	2.92	2.68
18	1.64	2.88	2.62	2.71	2.88	3.32	3.05	2.92	2.68
17	1.64	2.89	2.62	2.72	2.88	3.33	3.05	2.93	2.68
16	1.64	2.89	2.62	2.72	2.88	3.33	3.04	2.93	2.69
15	1.65	2.89	2.62	2.72	2.88	3.32	3.05	2.93	2.69
14	1.64	2.89	2.62	2.72	2.88	3.32	3.05	2.93	2.68
12	1.64	2.89	2.61	2.73	2.87	3.33	3.05	2.93	2.69
11	1.64	2.89	2.61	2.73	2.88	3.33	3.05	2.93	2.68
10	1.64	2.89	2.61	2.73	2.88	3.33	3.05	2.93	2.68
9	1.64	2.89	2.61	2.73	2.88	3.33	3.05	2.94	2.68
8	1.63	2.89	2.61	2.73	2.89	3.33	3.05	2.94	2.68
7	1.63	2.89	2.61	2.74	2.88	3.33	3.05	2.94	2.68
5	1.63	2.89	2.61	2.73	2.88	3.33	3.05	2.94	2.68
4	1.63	2.89	2.61	2.73	2.89	3.33	3.06	2.94	2.68
3	1.63	2.90	2.62	2.73	2.89	3.34	3.06	2.94	2.68
2	1.63	2.89	2.61	2.73	2.89	3.33	3.05	2.94	2.68
1	1.63	2.89	2.61	2.73	2.89	3.33	3.05	2.94	2.68
Apr. 27	1.63	2.89	2.61	2.73	2.90	3.33	3.05	2.94	2.69
20	1.63	2.90	2.61	2.73	2.90	3.36	3.07	2.94	2.69
13	1.62	2.90	2.61	2.72	2.90	3.36	3.07	2.93	2.69
6	1.64	2.90	2.61	2.73	2.90	3.37	3.09	2.93	2.69
Mar. 31	1.66	2.91	2.60	2.73	2.91	3.39	3.10	2.94	2.69
23	1.65	2.90	2.60	2.72	2.91	3.38	3.09	2.94	2.68
16	1.65	2.90	2.61	2.71	2.92	3.37	3.11	2.93	2.68
9	1.66	2.91	2.62	2.72	2.92	3.38	3.12	2.93	2.68
2	1.69	2.92	2.63	2.72	2.93	3.38	3.13	2.94	2.67
Feb. 23	1.69	2.92	2.65	2.72	2.93	3.39	3.14	2.95	2.68
16	1.69	2.93	2.65	2.72	2.94	3.41	3.16	2.95	2.68
9	1.72	2.94	2.66	2.73	2.95	3.41	3.17	2.95	2.69
2	1.73	2.95	2.66	2.75	2.96	3.43	3.19	2.95	2.71
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.62	2.88	2.60	2.71	2.87	3.31	3.04	2.91	2.67
1 Year Ago									
May 29, 1944	1.83	3.05	2.73	2.81	3.07	3.60	3.40	2.96	2.80
2 Years Ago									
May 29, 1943	1.88	3.15	2.74	2.86	3.11	3.89	3.61	2.99	2.86

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Government Now Landlord Of Million Families

Emergency needs for housing war workers were largely responsible for a six-fold increase in Federal housing between July, 1940 and the end of last October, bringing the Federal total to more than 800,000 dwelling units, while 150,000 units were built in the same period by local housing authorities, according to a study of the growth of public housing prepared by the National Industrial Conference Board and issued on May 25.

The Federal Governmnet's investment in housing rose from $500,000,000 to about $3,000,000,000 in a little over four years. The latest Federal housing appropriation of $66,000,000 on April 28, is to provide shelter for 20,000 war worker families, besides 1,600 trailers and 6,000 dormitory accommodations.

During the same period, according to the study, private enterprise provided one million dwelling units of permanent character for war housing at a cost of about $4,000,000,000.

Over one-half of the public war housing program is concentrated in eight states, according to the percentage of dwelling units assigned: California (17%); Washington (7%); Texas (6%); Pennsylvania, Virginia and Ohio (5%); and Michigan and New York (4%).

The State of Trade

(Continued from page 2422)

Paper Production — Paper production for the week ended May 19 was 92.5% of capacity, as against 85.4% of capacity for the preceding week, the American Paper and Pulp Association's index of mill activity disclosed. As for paperboard, production for the same period was reported at 97% of capacity, or an increase of three points over the previous week.

Food Price Index Unchanged— The Dun & Bradstreet wholesale food price index for May 22 remained unchanged at $4.08, the low point for this year, and compared with $3.98 last year at this time, which marked the lowest level reached during 1944. The year-to-year rise amounts to 2.5%. Sheep and lambs advanced during the week, while rye and oats declined. The index represents the sum total of the price per pound of 31 foods in general use.

Wholesale Commodity Price Index — The daily price index of wholesale commodities, compiled by Dun & Bradstreet, Inc., continued irregular in leading agricultural commodities. The index dipped slightly to close at 176.76 on May 22, from 176.82 a week earlier. For the corresponding date one year ago it stood at 171.53.

Retail and Wholesale Trade— Cool rainy weather last week worked against retail trade for the country as a whole with sales volume declining below that of the previous week in some areas, but due largely to a seasonal demand for spring and summer apparel a high level was maintained in others.

Women's ready-to-wear, accessories, and playshoes continued to lead retail trade, according to Dun & Bradstreet, Inc. All types of washable dresses were preferred with solid color shantungs and white background prints in spun rayons selling best in misses' informal dresses as well as dark colors in sheers. While this is National Cotton Week, stores have refrained from promotions. The demand for men's sportswear and furnishings continued but volume was generally either even or just below the previous week. The year's decline in volume was reported even more pronounced.

Sales of playshoes were good, but leather shoe volume was lowered in some areas by small inventories. Consumers were already interested in fall hats and fur coats with a continuing tendency to buy higher priced hats. Flowers for the hair were popular in main-floor departments. Cosmetics in summer shades were bought heavily.

Furniture sales were down slightly as retailers were reported attempting to lower inventories of war-time goods. Seasonal demand for paint, screens, and some household supplies still exceeds supplies. Auto parts, too, were greatly in demand.

Consumers searched for meat and poultry but sales fell even lower than in the previous week, reducing food volume in general. As a consequence, demand for fish and eggs was heavy. Fruits and vegetables were in good supply and sold well.

Retail volume for the country was estimated at 0 to 4% above a year ago. Regional percentage increases ranged from: East 2 below to 3 above; Northwest, 4 to 6; South, 3 to 7; Southwest, 2 to 5; Pacific Coast, 4 to 10. Percentage decreases were: New England, 5 to 10; Middle West, 3 below to 2 above.

Wholesale trade last week was brisk where supplies were available. There was a slight increase in volume in the rayon print cloth market and business in fall and summer clothing and jewelry was sustained. Declines in wholesale food sales were noted in the week. A quiet tone prevailed in many textile markets due to a dearth of supplies, but in a few instances some improvement occurred. In the food markets canned goods demand ran high for fish, fruits and most vegetables, but transactions were held at a low point due to the few offerings.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, showed no change from that of a year ago for the week ended May 19, 1945. This compared with a loss of 1% in the preceding week, of which allowance should be made for the fact that on May 8 of that week many stores were closed. For the four weeks ended May 19, 1945, sales increased by 3%, and for the year to date by 12%.

Here in New York last week retail trade perked up during the week. Retailers of men's apparel displayed much concern and dissatisfaction over the prospects of the fall supply of clothing and gave indications of making organized protests to Washington on that score. A development of major interest to wholesale markets the past week was cutting down of Navy orders for denims and chambrays, representing the first prospect of a break in the tight cotton goods situation for civilians. It is understood that Navy procurements on these colored yarn fabrics will be curtailed by more than 50% in the last six months of 1945.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to May 19, 1945, increased by 2% above the same period of last year. This compared with a loss of 3% in the preceding week, principally due to store closings on May 8, last. For the four weeks ended May 19, 1945, sales rose by 3%, and for the year to date by 12%.

Cotton Spinning for April

The Bureau of the Census announced on May 21 that, according to preliminary figures, 23,147,978 cotton spinning spindles were in place in the United States on April 30, 1945, of which 22,158,674 were operated at some time during the month compared with 22,232,168 in March, 22,223,848 in February, 22,260,628 in January 1945, 22,219,768 in December, and 22,411,922 in April, 1944. The aggregate number of active spindle hours reported for the month was 9,021,492,660, an average of 390 per spindle in place, compared with 9,315,634,608, an average of 400 per spindle in place, for April, 1944. Based on an activity of 80 hours per week, cotton spindles in the United States were operated during April, 1945 at 116.9% capacity. The percent, on the same activity basis, was 121.8 for March, 122.2 for February, 119.7 for January, 1945, 118.5 for December, and 124.9 for April, 1944.

Communications With Norway and Denmark

The Treasury Department announced that arrangements were made for the resumption of telecommunications service between the United States on one hand and Norway and Denmark on or about May 21, 1945. Notwithstanding General Ruling No. 11, persons in the United States may exchange business, commercial, and financial information with persons in Norway and Denmark through this service. Transactional communications continue to be prohibited.

Facilities are not yet available for support remittances to Norway and Denmark.

High Court Upholds Minnesota "Blue Sky"

An amended Minnesota "blue sky" law, requiring sales of securities to be registered with the State, was upheld today by the United States Supreme Court when it reviewed the legality of the law on a challange by the Chase Securities Corp., now Amerex Holding Corp., the United Press reported from Washington, May 21.

The firm appealed after it had been ruled liable by a Minnesota court for recovery of the purchase price of stocks sold to the late Ruth Chase Donaldson.

The firm contended that the suit was barred by a six-year statute of limitations and that it had been deprived if its property without due process of law. Justice Robert H. Jackson wrote the 8 to 0 opinion. Justice William O. Douglas did not participate.

Living Costs Rise in 43 Out of 63 Cities in April

Living costs of wage earners and lower-salaried clerical workers rose from March to April in 43 out of 63 industrial cities surveyed each month by the National Industrial Conference Board. Declines were shown for 13 cities, while living costs were unchanged in 7 cities.

The largest increase, equal to 1.8%, occurred in Evansville. Other relatively large increases were in Los Angeles, with 1.2%, in Joliet, with 1.0%, in Indianapolis and Sacramento, with 0.9%, and in Portland, Oregon, Rockford and Detroit, with 0.8%. Declines ranged from 0.4% in St. Paul to 0.1% in Baltimore, Dallas, Dayton, Fall River, Lansing, and Omaha. There was no change in Birmingham, Buffalo, Erie, Milwaukee, Minneapolis, New Haven, and Rochester.

Purchases of Mtgs. and Securities by Life Ins. Cos.

First quarter purchases of mortgages and securities by the life insurance companies of the United States totalled $2,150,000,000, of which $1,380,000,000 was U. S. Government securities, it is reported by the Institute of Life Insurance. Mortgage and security holdings of these companies were increased by $822,000,000 during the quarter to an aggregate of $36,660,000,000.

Total purchases in the first quarter of last year were larger, but this was due primarily to the heavy purchases of war bonds of the Fourth War Loan last year, while the first war loan drive this year is that now under way for second quarter subscriptions. In the first quarter of last year, the life companies' purchases of U. S. Government securities totalled $2,137,000,000.

The purchases of mortgages and securities other than those of the U. S. Government during the first three months of 1945 were $770,000,000, which compares with $544,000,000 in the corresponding period of 1944. The greatest increase was in business securities, of which $463,000,000 were acquired in this year's first quarter, compared with $303,000,000 in last year's first quarter, the increase being due in large part to heavy refinancing issues this year.

Moody's Daily Commodity Index

Tuesday, May 22, 1945	257.3
Wednesday, May 23	257.4
Thursday, May 24	257.3
Friday, May 25	257.3
Saturday, May 26	257.4
Monday, May 28	257.2
Two weeks ago, May 15	256.8
Month ago, April 28	256.6
Year ago, May 29	250.6
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, May 23	257.4
Low, Jan. 24	252.1

Wholesale Prices Up 0.1% for Week End. May 19

Higher prices for foods and for fuel and lighting materials brought the Bureau of Labor Statistics index of commodity prices in primary markets up 0.1% during the week ended May 19, announced the U. S. Department of Labor in its weekly report on wholesale prices which also said: "At 105.8 the all-commodity index stands at the highest level reached since early in 1920. In the past four weeks average prices for the commodities included in the index rose 0.2% and were nearly 2% higher than at the same time last year."

The announcement continued:

"Farm Products and Foods—Average prices for farm products remained unchanged during the week ended May 19 at the level reached for the corresponding week of April. Higher markets for wheat, cotton, apples, onions, and potatoes were offset by lower prices for rye, cows, sheep, and citrus fruits. Farm product prices have increased 5% over the past 12 months.

"Led by increases of about 3% for dressed poultry and 0.7% for fresh fruits and vegetables, prices for foods in primary markets rose 0.2% during the week. Lower prices were reported for rye flour and for lemons and oranges. Foods prices have been rising gradually since about the middle of April and are now 2.0% higher than they were a year ago.

"Industrial Commodities—Aside from a further advance in prices for bituminous coal, which continued to reflect increased production costs, and higher sales realizations for gas and electricity there were few changes in industrial commodity markets during the week. The index for the metals and metal products group dropped 0.1% as a result of a decline of 2.2% in prices for mercury. Substantial supplies of Spanish metal offered for sale in this country had a depressing effect on the domestic market. In the building materials group higher prices for Douglas fir dimension stock and for turpentine were offset by lower prices for Douglas fir timbers and for common building brick in some areas with the result that the group index remained unchanged at 117.2% of the 1926 average."

The following notation was included in the Labor Department's report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) indexes for the principal groups of commodities for the past three weeks, for April 21, 1945, and May 20, 1944, and (2) the percentage changes in subgroup indexes from May 12, 1945, to May 19, 1945:

WHOLESALE PRICES FOR WEEK ENDED MAY 19, 1945

(1926=100)

Commodity Groups—	5-19 1945	5-12 1945	5-5 1945	4-21 1945	5-20 1944	Percentage change to May 19, 1945 from— 5-12 1945	4-21 1945	5-20 1944
All commodities	105.8	105.7	105.7	105.6	103.8	+0.1	+0.2	+1.9
Farm products	129.5	129.5	129.8	129.5	123.3	0	0	+5.0
Foods	106.8	106.6	106.5	105.7	104.7	+0.2	+1.0	+2.0
Hides and leather products	118.3	118.3	118.3	118.3	117.6	0	0	+0.6
Textile products	99.1	99.1	99.1	99.1	97.3	0	0	+1.8
Fuel and lighting materials	84.6	84.3	84.0	83.9	83.9	+0.4	+0.8	+0.8
Metals and metal products	104.3	104.4	104.3	104.3	103.8	—0.1	0	+0.5
Building materials	117.2	117.2	117.0	117.0	115.6	0	+0.2	+1.4
Chemicals and allied products	94.9	94.9	94.9	94.9	95.5	0	0	—0.6
Housefurnishing goods	106.2	106.2	106.2	106.2	106.0	0	0	+0.2
Miscellaneous commodities	94.6	94.6	94.6	94.6	93.3	0	0	+1.4
Raw materials	117.9	117.9	117.8	117.7	113.3	0	+0.2	+4.1
Semimanufactured articles	94.8	94.8	94.8	94.8	93.6	0	0	+1.3
Manufactured products	102.1	102.0	102.0	101.9	101.1	+0.1	+0.2	+1.0
All commodities other than farm products	100.5	100.4	100.4	100.3	99.6	+0.1	+0.2	+0.9
All commodities other than farm products and foods	99.7	99.6	99.5	99.5	98.7	+0.1	+0.2	+1.0

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM

May 12, 1945 to May 19, 1945

Increases

Fruits and vegetables	0.7	Other farm products	0.3
Meats	0.3	Bituminous coal	0.2
Paint and paint materials	0.1		

Decreases

Livestock and poultry	0.5	Brick and tile	0.1

Steel Production Rate Off 2%—Cancellations Still Light—Sheet, Bar, Wire Demand Heavy

The American Iron and Steel Institute on May 28 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 91% of capacity for the week beginning May 28, compared with 92.9% one week ago, 95.8% one month ago and 97.5% one year ago. The operating rate is equivalent to 1,666,800 tons of steel ingots and castings, compared to 1,701,600 tons one week ago, 1,754,700 tons one month ago, and 1,746,500 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on May 28, stated in part as follows:

"Steel backlogs are shrinking slowly as cancellations still are relatively light and decline in orders generally is moderate. This leaves deliveries in sheets, bars, some types of tubular goods and wire still greatly extended. A notable exception is in plates, with backlogs dwindling and tonnage being offered for July and August. Plate shipments have been tapering since March, when well over 800,000 tons were moved for the highest total for the year, compared with the all-time total of 1,200,000 tons in March, 1944. Shipments in this quarter are expected to average close to 670,000 tons per month. Third quarter is expected to bring a heavy drop in Maritime Commission tonnage, from about 660,000 tons in the current quarter to 100,000 tons, according to current forecasts.

"While cancellations since V-E Day have been light, developments are being watched closely, pending appraisal of what will be required in the Pacific war and what can be salvaged from military supplies in Europe. In some quarters it is believed the next 30 days will see many more cancellations than experienced so far. In spite of this no drastic cut in steel production is foreseen and many expect the low point to be reached this summer, with the decline cushioned by stocking of ingots of analyses known to be required later for civilian work. Even without this, no pronounced decline is expected for the summer in view of estimated needs of claimant agencies. With the Controlled Materials plan scheduled to end Dec. 31 no additional CMP allotments will be issued for fourth and subsequent quarters except under unusual circumstances, although authorizations already issued for these periods will stand.

"Heralding pent-up demand for structural steel, awaiting loosening of restrictions, is placing of firm contracts by the Metropolitan Insurance Co. for three housing projects in New York City, requiring 64,000 tons of structurals, considerable tonnage of reinforcing steel and steel window frames. One contracting firm has the entire work and steel has been placed with three producers. Several months, perhaps two years, will be required for completion of the projects.

"Reflecting higher prices allowed by Office of Price Administration, average composite prices of finished and semi-finished steel are higher, finished steel composite rising from $57.55 to $58.27 and semi-finished composite from $36 to $37.80. Due to a decline in eastern Pennsylvania the steelmaking scrap composite has dropped from $19.17 to $19. Steelmaking pig iron composite holds at $24.05."

National Fertilizer Association Commodity Price Index Advances to a New High

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on May 28, for the week of May 26, 1945, advanced to a new high of 140.7 from 140.3 for both the preceding week and for the week of April 28, one month earlier. A year ago the index stood at 136.8, all based on the 1935-39 average as 100. The Association's report went on to say:

The farm products group advanced to a new high, the price increases for cotton, cattle, calves, and lambs more than offsetting the lower quotations for corn and rye. The foods index also advanced because of higher quotations for evaporated milk, oranges, and dressed fowl. The slight drop in the steel scrap quotation was not sufficient to affect the metals index. The textiles index showed a slight advance. All other groups of the index remained unchanged.

During the week 8 price series in the index advanced and 3 declined; in the preceding week there were 7 advances and 5 declines; in the second preceding week there were no advances and 8 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week May 26, 1945	Preceding Week May 19, 1945	Month Ago Apr. 28, 1945	Year Ago May 27, 1944
25.3	Food	142.6	141.6	141.6	137.4
	Fats and Oils	145.3	145.3	145.3	143.0
	Cottonseed Oil	163.1	163.1	163.1	156.7
23.0	Farm Products	167.4	166.8	167.0	154.4
	Cotton	215.5	214.6	212.8	201.0
	Grains	163.7	163.8	163.1	164.6
	Livestock	161.0	160.2	160.8	143.1
17.3	Fuels	130.4	130.4	130.4	130.1
10.8	Miscellaneous Commodities	133.7	133.7	133.7	132.2
8.2	Textiles	157.2	157.1	156.8	152.3
7.1	Metals	104.7	104.7	104.7	104.4
6.1	Building Materials	154.4	154.4	154.4	153.4
1.3	Chemicals and Drugs	125.4	125.4	125.4	127.7
.3	Fertilizer Materials	118.3	118.3	118.3	117.7
.3	Fertilizers	119.9	119.9	119.9	119.7
.3	Farm Machinery	104.8	104.8	104.8	104.3
100.0	All groups combined	140.7	140.3	140.3	136.8

*Indexes on 1926-1928 base were: May 26, 1945, 109.6; May 19, 1945, 109.3; and May 27, 1944, 106.6.

Govt. Surplus Property Sales in April Reported

The Office of Surplus Property of the Department of Commerce, a disposal agency designated by the Surplus Property Board, announced on May 16 sales of consumer goods totaled $4,889,784 during the month of April, the reported cost of which amounted to $13,930,143. These items were mainly surpluses that were declared by the Army and Navy. The Office of Surplus Property transferred from the Treasury Department to the Department of Commerce on May 1.

During the same month, declarations of property having a reported cost totalling $31,042,499 were received by the Office of Surplus Property. This, it is indicated, is not the net addition to inventory, since property having a reported cost of $5,214,392 was withdrawn by the declaring agencies and property with a reported cost of $1,508,045 was transferred to other agencies for disposal.

Treasury Offers Notes On an Exchange Basis

Secretary of the Treasury Morgenthau today announced on May 21 an offering, through the Federal Reserve Banks, of 0.90% Treasury Notes of Series D-1946, open on an exchange basis to holders of 7/8% Treasury Certificates of Indebtedness of Series C-1945, maturing June 1, 1945, and 1½% Home Owners' Loan Corporation Bonds of Series M-1945-47, called for redemption on June 1, 1945. Exchanges will be made par for par, in amounts or multiples of $1,000. The offering is limited to the amount of maturing certificates and called bonds tendered in exchange, and cash subscriptions will not be received. The subscription books for the exchange offering closed at the close of business on May 23 except for the receipt of subscriptions from holders of $100,000 or less of the maturing certificates or called bonds. The subscription books were closed for the receipt of subscriptions of the latter class at the close of business May 26.

Mr. Morgenthau stated that there are now outstanding $4,770,046,000 of the Series C-1945 certificates and $754,904,000 of the Home Owners' Loan Corporation Bonds of Series M-1945-47. The announcement regarding the offering also said:

"The notes now offered will be dated June 1, 1945, and will bear interest from that date at the rate of 0.90% per annum, payable on a semiannual basis on January 1 and July 1, 1946. They will mature July 1, 1946. They will be issued in bearer form only, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

"Pursuant to the provisions of the Public Debt Act of 1941, interest upon the notes now offered shall not have any exemption, as such, under Federal tax acts now or hereafter enacted. The full provisions relating to taxability are set forth in the official circular released today.

"Subscriptions will be received at the Federal Reserve Banks and Branches, and at the Treasury Department, Washington, and should be accompanied by a like face amount of the maturing certificates or called bonds. Subject to the usual reservations, all subscriptions will be allotted in full."

Great Changes Ahead

(Continued from first page)

and is hammering at our gates. It has already, under the title of the "New Deal," greatly modified our economic system. The realities of power have already in large measure, passed from the wealthy families and efficient industrialists into the hands of politicians, bureaucrats and labor leaders.

Beware Another Depression

Yet, the powerful New Deal wave which started in 1932 is now receding—although some of the new controls will stick. Private enterprise and private capital are to have another trial. The next few years should be reasonbly prosperous in spite of the big national debt. But if another depression comes, then look out for trouble.

Money may then no longer be the high road to power. The young man who wants to get into the struggle for power should perhaps consider politics or become a labor leader. It will be well to have military experience. Those who seek security first should become experts in some one line and depend upon civil service. Small business ventures may provide economic freedom, but not too much security. The failure rate is high. The professions offer positions of honor and public service and the law is a gateway into politics. Farming offers perhaps the largest measure of security and freedom combined, but no financial reward. All of these, — even agriculture — now require specialized education.

Read Good Books

Finally, I want to put in a strong word for the reading of history, economics and philosophy —or let us call it frankly "religion." I recommend this not as means of making a living, but of LIVING. Such reading will give you a better understanding of what is going on in the world and one's proper relation to God and man.

New Dwellings In First Quarter of 1945

Only 29,000 new non-farm family dwelling units were put under construction in the United States during the first 3 months of 1945, Secretary of Labor Perkins reported May 10. "This represents a decline of approximately 41% from the number of units started in the first quarter of 1944 and a drop of 75% from the average volume in 1943," she said. "Over nine-tenths of this new residential building is being financed from private funds, as compared with three-fourths a year ago. Because of the war-time restrictions on non-essential building, the virtual completion of war-housing projects, and the continued shortages of labor and materials, both privately and Federally financed construction were less in 1945 than in 1944. The former declined from 37,300 units to 26,600 and the latter from 11,600 to 2,400.

"In addition to the new family dwelling units, Federal construction contracts were awarded in the first quarter of 1945 for dormitories to house 2,974 persons and for facilities to accommodate 2,413 trailers.

"The permit valuation of the 29,000 new non-farm units started in the first 3 months of 1945 totaled $82,667,000, as compared with $139,725,000 estimated for the 48,900 units begun during the same period in 1944.

"These estimates, based on building permits issued and Federal construction contracts awarded, were prepared by the Bureau of Labor Statistics of the U. S. Department of Labor. The non-farm area of the United States is defined as including all incorporated places and all unincorporated areas except farms.

Weekly Coal and Coke Production Statistics

The total production of soft coal in the week ended May 19, 1945 is estimated by the Bureau of Mines at 11,360,000 net tons, an increase of 715,000 tons over the preceding week, according to the United States Department of the Interior. Output in the corresponding week of 1944 was 12,012,000 tons. The total production of soft coal from Jan. 1 to May 19, 1945, is estimated at 227,155,000 net tons, a decrease of 8.2% when compared with the 247,428,000 tons produced during the period from Jan. 1 to May 20, 1944.

Production of Pennsylvania anthracite for the week ended May 19, 1945, as estimated by the Bureau of Mines, was 45,000 tons, a decrease of 1,000 tons from the preceding week. When compared with the output in the corresponding week of 1944 there was a decrease of 1,260,000 tons. The calendar year to date shows a decrease of 24.4% when compared with the same period in 1944. The hard coal miners started returning to work on May 21, 1945, after having been idle for three weeks.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended May 19, 1945 showed a decrease of 6,400 tons when compared with the output for the week ended May 12, 1945; and was 23,200 tons less than for the corresponding week of 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE IN NET TONS

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite—	May 19, 1945	*May 12, 1945	May 20, 1944	†May 19, 1945	May 20, 1944
Total, including mine fuel	11,360,000	10,645,000	12,012,000	227,155,000	247,428,000
Daily average	1,893,000	1,774,000	2,002,000	1,912,000	2,057,000

*Revised. †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. anthracite—	‡May 19, 1945	§May 12, 1945	May 20, 1944	May 19, 1945	May 20, 1944	May 22, 1937
*Total incl. coll. fuel	45,000	46,000	1,305,000	19,341,000	25,594,000	22,665,000
†Commercial produc.	43,000	44,000	1,253,000	18,566,000	24,570,000	21,532,000
Beehive coke—						
United States total	119,400	125,800	142,600	2,248,000	3,037,500	1,475,200

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	May 12, 1945	May 5, 1945	May 13, 1944
Alabama	390,000	379,000	369,000
Alaska	6,000	7,000	7,000
Arkansas and Oklahoma	76,000	80,000	92,000
Colorado	116,000	128,000	148,000
Georgia and North Carolina	1,000	*	*
Illinois	1,130,000	1,138,000	1,460,000
Indiana	455,000	509,000	519,000
Iowa	41,000	41,000	41,000
Kansas and Missouri	114,000	109,000	168,000
Kentucky—Eastern	977,000	916,000	1,014,000
Kentucky—Western	350,000	344,000	386,000
Maryland	30,000	33,000	38,000
Michigan	3,000	3,000	5,000
Montana (bitum. & lignite)	70,000	68,000	82,000
New Mexico	30,000	30,000	40,000
North & South Dakota (lignite)	34,000	34,000	24,000
Ohio	642,000	660,000	710,000
Pennsylvania (bituminous)	2,390,000	2,710,000	3,095,000
Tennessee	131,000	127,000	139,000
Texas (bituminous & lignite)	1,000	1,000	3,000
Utah	108,000	133,000	144,000
Virginia	348,000	332,000	396,000
Washington	30,000	25,000	25,000
†West Virginia—Southern	1,976,000	1,882,000	2,152,000
‡West Virginia—Northern	1,024,000	1,030,000	1,017,000
Wyoming	172,000	170,000	178,000
§Other Western States	*	1,000	*
Total bituminous & lignite	10,645,000	10,890,000	12,253,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Civil Engineering Construction Volume $35,016,000 for Week

Civil engineering construction volume in continental United States totals $35,016,000 for the week. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 21% higher than in the preceding week, and 26% above the total for the corresponding 1944 week, but is 2% below the previous four-week moving average as reported to "Engineering News-Record." The report issued on May 24 continued as follows:

Private construction for the week tops a week ago by 112% and is up to 27% compared with a year ago. Public work also gains, topping last week by 8% and exceeding the 1944 week by 25%. Federal volume is 14 and 45% higher, respectively, than last week and last year and is responsible for the public gain as State and municipal construction is 14 and 26% lower than a week ago and a year ago.

The current week's volume brings 1945 construction to $664,137,000 for the 21 weeks, 9% below the $734,019,000 reported in the corresponding 1944 period. Private construction, $185,881,000, is 10% above last year, but public construction, $478,256,000, is down 15% due to the 21% decrease in Federal volume. State and municipal, $91,111,000, is 17% higher than last year.

Civil engineering construction volumes for the 1944 week, last week, and the current week are:

	May 25, 1944	May 17, 1945	May 24, 1945
Total U. S. construction	$27,885,000	$29,049,000	$35,016,000
Private construction	5,865,000	3,522,000	7,470,000
Public construction	22,020,000	25,527,000	27,546,000
State and municipal	6,278,000	5,389,000	4,623,000
Federal	15,742,000	20,138,000	22,923,000

In the classified construction groups, gains over the preceding week are in commercial and public building, earthwork and drainage, and streets and roads. Increases over the 1944 week are in water works, commercial and public buildings, earthwork and drainage, and unclassified construction. Subtotals for the week in each class of construction are: water works, $1,543,000; sewerage, $201,000; industrial buildings, $1,927,000; commercial building and large-scale private housing, $3,530,000; public buildings, $15,328,000; earthwork and drainage, $545,000; streets and roads, $3,858,000, and unclassified construction, $8,084,000.

New capital for construction purposes for the week totals $6,092,000. It is made up of $3,352,000 in State and municipal bond sales, and $2,740,000 in corporate security issues. The week's new financing brings 1945 volume to $498,780,000, a total 17% greater than the $426,549,000 reported for the 21-week period last year.

Post-War Construction Planning Volume $20.9 Billion

Identified and recorded engineering construction projects proposed for construction in the post-war years total $20,891,261,000, according to reports to "Engineering News-Record," in the period from Jan. 1, 1943 through May 17, 1945. Plans are under way or completed on post-war projects valued at $8,909,906,000, 42.6% of the total volume proposed, and on $1,290,777,000 worth of projects all financing arrangements have been completed.

Non-Ferrous Metals—Copper and Zinc Sales Light—Demand for Lead Continues Steady

"E. & M. J. Metal and Mineral Markets," in its issue of May 24, stated: "With consumption of copper and zinc for war purposes diminishing, buying of these metals during the last week again was quiet. Use of the war metals in civilian products is slowly increasing, but volume consumption, most observers believe, cannot be restored quickly. Call for lead continued at a high level. During the last week, WPB modified its restrictions on osmium, a platinum metal, and molybdenum. Purchases of aluminum from Canadian sources were reduced. Quicksilver prices weakened on increased offerings in a dull market. In the field of non-metallics, OPA raised the price ceiling on ground mica." The publication further went on to say in part:

Copper

Most producers experienced another quiet week in copper so far as new business was concerned. Consumption of copper in June is expected to fall well below the average of the first five months of the year. The fabricating division of the industry reports that consumption of copper during April totaled 147,209 tons, which compares with 171,558 tons in March, and 160,335 tons in April last year. Stocks of refined copper in the hands of fabricators at the end of April amounted to 394,065 tons, against 380,197 tons a month previous and 324,500 tons a year ago.

Shipments of ingot brass and bronze by producers reporting to the Defense Council of the industry amounted to 40,118 tons in April, which compares with 41,988 tons in March. Shipments represent in excess of 95% of the deliveries of the industry.

Lead

Consumers have asked WPB for approximately 21,000 tons of foreign lead with which to round out their June requirements. This indicates that demand for lead has not diminished since V-E Day. Sales for the week in the domestic market involved 5,037 tons. Buyers would have taken larger quantities had producers been willing sellers.

The supply situation for June has been aided by the recent purchase of some 10,000 tons of lead from Canadian producers, all of which is expected to come into the United States during that month.

Production of refined lead in the United States in April amounted to 46,511 tons, against 48,029 tons in March, the American Bureau of Metal Statistics reports. Domestic refineries shipped 44,179 tons in April, against 47,249 tons in March. Stocks increased to 33,234 tons.

The March and April statistics of domestic lead refineries, in tons, follow:

	April	March
Stock at beginning	30,909	30,141
Production:		
Domestic	39,725	39,077
Secondary and foreign	6,786	8,952
	46,511	48,029
Domestic shipments	44,179	47,249
Stock at end	33,234	30,909

Zinc

With allocation certificates for June metal about to be mailed to consumers, some improvement in buying is expected to take place shortly. In the week that ended yesterday, however, the demand was slow. Consumers of Special High Grade are expected to obtain all of this grade that they have asked for.

Production of galvanized sheets in the first three months of 1945 amounted to 434,361 tons, against 303,204 tons in the same period last year.

Aluminum

Production of primary aluminum in February amounted to 91,300,000 pounds, against 97,300,000 pounds in January, according to the Aluminum and Magnesium Division of WPB.

Production of secondary aluminum in February totaled 62,000,000 pounds, which compares with 62,300,000 pounds in the preceding month.

Shipments of aluminum product amounted to 195,800,000 pounds in February, against 200,300,000 pounds in January. Preliminary estimates for March indicate that product shipments increased sharply over February.

Osmium

Order M-302 limiting the use of osmium has been eased by WPB. The revised regulation permits consumers to use in any calendar quarter up to 12½% of the amount used in the year 1941, without restrictions as to when the osmium was alloyed. Osmium is one of the metals in the platinum group previously limited in its use to implements of war.

Molybdenum

Molybdenum Order M-110 was revoked by WPB on May 21 following expansion of Steel Order M-21 to include certain steel alloying elements. Until the supply situation in molybdenum improves, reports will be required under the authority of M-21.

Production of molybdenum (Mo content) for March amounted to 3,199,600 pounds, with shipments totaling 3,249,300 pounds.

Tin

Use of tin in the construction of automobiles has varied from 5,000 tons in 1932 to 16,700 tons in 1929. Unless new sources for obtaining tin are available to this country in the transition period, reconversion in some industries depending on the metal will move forward slowly.

The price situation in tin remains unchanged. Straits quality tin for shipment was nominally as follows, in cents per pound:

	May	June	July
May 17	52.000	52.000	52.000
May 18	52.000	52.000	52.000
May 19	52.000	52.000	52.000
May 21	52.000	52.000	52.000
May 22	52.000	52.000	52.000
May 23	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125¢ per pound.

Quicksilver

Since V-E Day, most consumers of quicksilver have switched to a hand-to-mouth policy in buying. The reason for the hesitancy is (1) that some cutback in ordinary needs of the armed forces is likely, and (2) growing uncertainty over the duration of the war with Japan. Under "materials still hard to obtain," WPB lists red oxide of mercury. New plant capacity for producing this material is being rushed to completion. Nevertheless, buyers are timid and offerings are increasing. The net result has been a further weakening in prices, with spot and nearby metal available at $152 to $155 per flask, depending on quantity. Spanish quicksilver was offered at $150 per flask, shipment from abroad, duty paid, New York. Some sellers on the Pacific Coast stood ready to meet this figure.

Producers quote from $145 to $150 per flask, June shipment, f.o.b. Coast, with the market unsettled.

Silver

The London silver market was quiet and unchanged at 25½d. The New York Official for foreign silver continued at 44¾¢, with domestic metal at 70⅝¢.

Congressmen Going Abroad

Congressmen say that President Truman feels that any number of the legislature who would like to go abroad to see the war and its effects first-hand should have the opportunity to do so, according to the Associated Press from Washington, May 17.

Groups from the House Agriculture, the House Naval, and the Senate Interstate committees already have left Washington for Europe.

The Senate committee will investigate disposal of $160,000,000 in communications equipment now largely surplus. Headed by Senator Burton K. Wheeler, (D-Mont.) it includes Senators Ernest W. McFarland, Democrat, of Arizona; Frank P. Briggs, Democrat, of Missouri; Albert W. Hawkes, Republican, of New Jersey, and Homer E. Capehart, Republican, of Indiana.

Accompanying them were Paul A. Porter, chairman of the Federal Communications Commission; Rear Admiral Joseph R. Redman, director of Naval Communications, and Major General Frank P. Stoner, of the Army Signal Corps.

A special five-man subcommittee of the House Naval Affairs Committee will visit Europe, North Africa and the Near East to investigate disposal policies and machinery for surplus naval property in those areas.

The delegation included Representative Lundon B. Johnson, Democrat, of Texas, chairman, and Michael J. Bradley, Democrat, of Pennsylvania; F. Edward Hebert, Democrat, of Louisianna; W. Sterling Cole, Republican, of New York, and William E. Hess, Republican, of Ohio.

Congress Medal for FDR

A bill authorizing posthumous award of a Congressional Medal of Honor to the late President Roosevelt, for his "everlasting contribution to the cause of peace," has been unanimously approved by the House and sent to the Senate, the United Press reported from Washington, May 21.

At the insistence of Republicans, Democratic Leader John W. McCormack (Mass.), who sponsored the bill, changed the wording to make it clear that the medal was a "special" award to Mr. Roosevelt as a civilian and not as past commander in chief.

It would authorize President Truman to award the medal posthumously to his predecessor in recognition of "his peerless leadership, his heroic courage as a pioneer of freedom, his gallant and unselfish devotion to the service of his country, and his everlasting contribution to the cause of world peace."

Daily Average Crude Oil Production for Week Ended May 19, 1945 Increased 7,250 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended May 19, 1945, was 4,867,465 barrels, an increase of 7,250 barrels per day over the preceding week and a gain of 354,065 barrels per day over the corresponding week of 1944. The current figure was also 965 barrels in excess of the daily average figure recommended by the Petroleum Administration for War for the month of May, 1945. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,908,000 barrels of crude oil daily and produced 15,269,000 barrels of gasoline; 1,546,000 barrels of kerosine; 5,041,000 barrels of distillate fuel, and 9,646,000 barrels of residual fuel oil during the week ended May 19, 1945, and had in storage at the end of that week 48,364,000 barrels of civilian grade gasoline, 41,309,000 barrels of military and other gasoline, 7,955,000 barrels of kerosine, 29,470,000 barrels of distillate fuel, and 38,624,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations May	*State Allowables Begin. May 1	Actual Production Week Ended May 19, 1945	Actual Production Change from Previous Week	4 Weeks Ended May 19, 1945	Week Ended May 20, 1944
Oklahoma	367,500	367,500	†385,400	+ 250	379,600	333,850
Kansas	274,000	269,400	†271,300	+ 400	265,000	283,800
Nebraska	1,000	----	†900	----	900	1,000
Panhandle Texas			90,000	----	90,000	91,000
North Texas			153,900	----	152,900	147,200
West Texas			495,300	----	493,850	429,150
East Central Texas			138,200	----	138,300	137,150
East Texas			379,800	----	379,400	364,100
South Texas			355,650	----	354,750	307,050
Coastal Texas			563,300	----	563,800	519,850
Total Texas	2,170,000	‡2,170,717	2,176,150	----	2,173,000	1,995,500
North Louisiana			71,100	----	71,100	73,850
Coastal Louisiana			299,800	----	298,600	283,100
Total Louisiana	360,000	400,800	370,900	----	369,700	356,950
Arkansas	80,000	78,786	79,850	+ 250	79,750	80,450
Mississippi	53,000		49,800	— 4,450	52,850	41,050
Alabama	300		450	----	450	100
Florida	----		15	----	15	50
Illinois	205,000		194,650	— 2,900	196,700	214,600
Indiana	13,000		12,450	+ 1,350	11,650	12,350
Eastern—(Not incl. Ill., Ind., Ky.)	67,200		64,950	+ 1,700	64,000	70,850
Kentucky	31,000		26,850	----	27,250	21,650
Michigan	47,000		45,800	— 4,500	47,450	46,350
Wyoming	112,000		106,950	— 550	107,300	81,150
Montana	23,000		20,850	----	20,750	21,400
Colorado	10,500		11,200	+ 600	10,750	8,200
New Mexico	105,000	105,000	103,900	----	104,150	108,200
Total East of Calif	3,919,500		3,922,365	— 7,850	3,911,265	3,677,500
California	947,000	§947,000	945,100	+15,100	929,200	835,900
Total United States	4,866,500		4,867,465	+ 7,250	4,840,465	4,513,400

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7.00 a.m. May 17, 1945.

‡This is the net basic allowable as of May 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 2 to 14 days, the entire state was ordered shut down for 6 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 6 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED MAY 19, 1945

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a —Bureau of Mines basis—

District—	% Daily Refining Capacity Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Ref. Inc. Nat. Blended	‡Stocks of Gas Oil & Dist. Fuel Oil	‡Stocks of Residual Fuel oil	‡Gasoline Stocks Military and Other	‡Gasoline Stocks Civilian Grade
East Coast	99.5	715	90.4	1,886	6,195	5,818	5,783	7,818
Appalachian—								
District No. 1	76.8	98	67.1	277	334	185	1,112	1,224
District No. 2	81.2	66	132.0	203	95	147	548	891
Ind., Ill., Ky.	87.2	801	93.5	2,944	3,950	1,805	6,872	14,898
Okla., Kans., Mo.	78.3	403	85.9	1,465	1,837	1,152	2,117	7,168
Inland Texas	59.8	255	77.3	992	320	825	1,217	1,722
Texas Gulf Coast	89.3	1,176	95.1	3,645	6,111	5,947	9,330	4,620
Louisiana Gulf Coast	96.8	248	95.4	812	1,555	1,436	2,562	2,021
No. La. & Arkansas	55.9	84	66.7	248	662	202	533	2,255
Rocky Mountain—								
District No. 3	17.1	12	92.3	39	20	33	20	56
District No. 4	72.1	105	66.0	400	278	591	608	1,777
California	85.8	945	95.1	2,358	8,113	20,483	10,607	3,914
Total U. S. B. of M. basis May 19, 1945	85.6	4,908	90.4	15,269	29,470	38,624	*41,309	48,364
Total U. S. B. of M. basis May 12, 1945	85.6	4,850	89.3	15,137	28,996	38,948	40,784	49,166
U. S. Bur. of Mines basis May 20, 1944		4,513		13,393	31,104	50,761	38,699	49,086

*Includes aviation and military grades, finished and unfinished, title to which still remains in the name of the producing company; solvents, napthas, blending stocks currently indeterminate as to ultimate use, and 11,352,000 barrels unfinished gasoline this week, compared with 12,304,000 barrels a year ago. These figures do not include any gasoline on which title has already passed, or which the military forces may actually have in custody in their own or leased storage. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,546,000 barrels of kerosine, 5,041,000 barrels of gas oil and distillate fuel oil and 9,646,000 barrels of residual fuel oil produced during the week ended May 19, 1945, which compares with 1,496,000 barrels, 4,749,000 barrels and 9,610,000 barrels, respectively, in the preceding week and 1,763,000 barrels, 4,880,000 barrels and 8,383,000 barrels, respectively, in the week ended May 20, 1944.

Note—Stocks of kerosine at May 19, 1945, amounted to 7,955,000 barrels, as against 7,821,000 barrels a week earlier and 7,656,000 barrels a year before.

Trading on New York Exchanges

The Securities and Exchange Commission made public on May 23 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended May 5, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended May 5 (in round-lot transactions) totaled 2,708,738 shares, which amount was 15.69% of the total transactions on the Exchange of 8,634,260 shares. This compares with member trading during the week ended April 28 of 2,894,533 shares, or 15.74% of the total trading of 9,197,790 shares. On the New York Curb Exchange, member trading during the week ended May 5 amounted to 595,402 shares, or 14.11% of the total volume on that exchange of 2,110,115 shares. During the April 28 week trading for the account of Curb members of 481,360 shares was 12.28% of the total trading of 1,960,295.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED MAY 5, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	244,610	
‡Other sales	8,389,650	
Total sales	8,634,260	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	748,890	
Short sales	100,390	
‡Other sales	611,250	
Total sales	711,640	8.46
2. Other transactions initiated on the floor—		
Total purchases	341,160	
Short sales	30,100	
‡Other sales	276,840	
Total sales	306,940	3.75
3. Other transactions initiated off the floor—		
Total purchases	209,521	
Short sales	19,050	
‡Other sales	371,537	
Total sales	390,587	3.48
4. Total—		
Total purchases	1,299,571	
Short sales	149,540	
‡Other sales	1,259,627	
Total sales	1,409,167	15.69

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED MAY 5, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	32,310	
‡Other sales	2,077,805	
Total sales	2,110,115	
B. Round-Lot Transaction for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	160,980	
Short sales	11,360	
‡Other sales	135,560	
Total sales	146,920	7.29
2. Other transactions initiated on the floor—		
Total purchases	76,960	
Short sales	4,600	
‡Other sales	71,480	
Total sales	76,080	3.63
3. Other transactions initiated off the floor—		
Total purchases	50,370	
Short sales	8,450	
‡Other sales	75,642	
Total sales	84,092	3.19
4. Total—		
Total purchases	288,310	
Short sales	24,410	
‡Other sales	282,682	
Total sales	307,092	14.11
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	80,962	
Total purchases	80,962	
Total sales	73,170	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on May 23 a summary for the week ended May 12 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended May 12, 1945

	Total For Week
Odd-lot Sales by Dealers (Customers' purchases)	
Number of orders	30,024
Number of shares	896,848
Dollar value	$34,885,708
Odd-Lot Purchases by Dealers—(Customers' sales)	
Number of Orders:	
Customers' short sales	255
*Customers' other sales	27,500
Customers' total sales	27,755
Number of Shares:	
Customers' short sales	9,104
*Customers' other sales	776,526
Customers' total sales	785,630
Dollar value	$29,605,097
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	100
†Other sales	183,890
Total sales	183,990
Round-Lot Purchases by Dealers:	
Number of shares	268,710

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

U. S. Expenditures Abroad Tabulated

An incomplete tabluation showing the United States Government as having spent $9,127,000,000 abroad in the past four and a half years while receiving $2,533,000,000 from foreign sources, is said by Senator Tydings (D.-Md.) to have come from a clearing house established in the Foreign Economic Administration by the late President Roosevelt at Tyding's suggestion, according to the Associated Press from Washington, May 14.

The Maryland Senator said the reported receipts and expenditures were "somewhat incomplete," and did not take into consideration special arrangements under which United States armed forces obtained foreign currencies without concurrent dollar cost, in Germany, Italy and certain liberated countries.

The disbursements abroad from July 1, 1940 through last Dec. 31 included $3,252,000,000 for food and materials procured by non-military agencies (much of it for resale to private buyers in the U. S.) and around $1,000,000,000 in loans, advances and financial aid to other countries.

To round out the picture of the Government's foreign transactions, the report noted that as of Dec. 31, 1944, Lend-Lease aid to foreign governments totalled $35,383,000,000, excluding $788,000,000 worth of goods consigned to commanding generals for subsequent transfer in the field to foreign governments.

Over$25,000,000,000 of the Lend-Lease aid went to various parts of the British commonwealth, about $8,000,000,000 to the U. S. S. R., $290,000,000 to the American republics, $246,000,000 to China and the remainder to 15 other countries. Through 1944, at least $4,500,000,000 in reverse Lend-Lease had been received, the report said.

Lack of Technical Men Will Hold Back Industrial Expansion, Dearborn Says

Postwar expansion of industrial research by small companies, which are planning a large increase in such activities, will be limited by the scarcity of scientific and technical men, R. J. Dearborn, President of Texaco Development Corporation and Chairman of the Patents Committee of the National Association of Manufacturers declared on May 21.

Creation of many postwar jobs will depend upon the invention of new types of consumer goods, and for this purpose many companies, especially small ones, are planning to augment their research staffs, Mr. Dearborn said. The greatest increase is contemplated in concerns employing less than 50 persons but, it was pointed out, these companies probably are not aware of the shortage in technical personnel.

"One of the most serious problems of industry is the deficit in fully trained young professional men for post-war employment," stated Mr. Dearborn. "This country is faced with a period during which the demands of war-stimulated technology will not be met by an adequate supply of scientists and engineers. As research is the backbone of industrial progress and creation of jobs in the postwar era, the lack of a sufficient number of well-trained scientists will have a profound effect on invention and plans of corporations to provide for many new products in the period just ahead of us."

Revenue Freight Car Loadings During Week Ended May 19, 1945 Increased 30,127 Cars

Loading of revenue freight for the week ended May 19, 1945 totaled 868,634 cars, the Association of American Railroads announced on May 24. This was a decrease below the corresponding week of 1944 of 1,441 cars, or 0.2%, but an increase above the same week in 1943 of 24,792 cars or 2.9%.

Loading of revenue freight for the week of May 19 increased 30,127 cars, or 3.6% above the preceding week.

Miscellaneous freight loading totaled 404,748 cars, an increase of 12,654 cars above the preceding week, and an increase of 18,361 cars above the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 108,369 cars, a decrease of 105 cars below the preceding week but an increase of 3,823 cars above the corresponding week in 1944.

Coal loading amounted to 148,599 cars an increase of 9,107 cars above the preceding week, but a decrease of 26,977 cars below the corresponding week in 1944.

Grain and grain products loading totaled 53,189 cars, an increase of 3,691 cars above the preceding week and an increase of 12,589 cars above the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of May 19 totaled 36,865 cars, an increase of 2,976 cars above the preceding week and an increase of 11,617 cars above the corresponding week in 1944.

Livestock loading amounted to 14,302 cars, a decrease of 1,725 cars below the preceding week and a decrease of 184 cars below the corresponding week in 1944. In the Western Districts alone loading of live stock for the week of May 19 totaled 10,856 cars, a decrease of 1,474 cars below the preceding week, and a decrease of 28 cars below the corresponding week in 1944.

Forest products loading totaled 43,803 cars, an increase of 877 cars above the preceding week but a decrease of 3,028 cars below the corresponding week in 1944.

Ore loading amounted to 80,959 cars, an increase of 5,876 cars above the preceding week but a decrease of 5,836 cars below the corresponding week in 1944.

Coke loading amounted to 14,665 cars, a decrease of 248 cars below the preceding week, and a decrease of 189 cars below the corresponding week in 1944.

All districts reported increases compared with the corresponding week in 1944 except the Eastern, Allegheny and Pocahontas. All reported increases compared with 1943 except the Eastern and Pocahontas.

	1945	1944	1943
4 Weeks of January	3,001,544	3,158,700	2,910,638
4 Weeks of February	3,049,697	3,154,116	3,055,725
5 Weeks of March	4,018,627	3,916,037	3,845,547
4 Weeks of April	3,374,438	3,275,846	3,152,879
Week of May 5	863,399	835,538	816,538
Week of May 12	838,507	867,182	849,032
Week of May 19	868,634	870,075	843,842
Total	16,014,846	16,077,494	15,474,201

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended May 19, 1945. During the period 73 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED MAY 19

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1945	1944	1943	1945	1944
Eastern District—					
Ann Arbor	280	255	276	1,502	1,525
Bangor & Aroostook	1,195	1,115	750	146	359
Boston & Maine	7,062	7,019	6,479	12,983	14,810
Chicago, Indianapolis & Louisville	1,023	1,377	1,470	2,210	2,065
Central Indiana	28	38	36	56	31
Central Vermont	1,148	1,067	1,120	2,155	2,139
Delaware & Hudson	3,317	5,003	6,337	12,512	12,907
Delaware, Lackawanna & Western	6,298	7,900	7,820	10,861	12,172
Detroit & Mackinac	245	283	316	149	91
Detroit, Toledo & Ironton	1,641	1,781	1,829	1,264	1,324
Detroit & Toledo Shore Line	426	341	282	3,370	2,561
Erie	11,572	13,535	13,267	16,393	17,210
Grand Trunk Western	4,059	3,867	3,677	8,361	8,683
Lehigh & Hudson River	146	187	237	2,367	3,115
Lehigh & New England	704	1,952	2,076	1,219	1,592
Lehigh Valley	5,342	9,186	8,039	11,640	16,354
Maine Central	2,426	2,204	2,162	2,761	2,946
Monongahela	3,260	6,513	6,470	265	296
Montour	2,927	2,772	2,489	31	23
New York Central Lines	51,182	51,238	51,917	50,487	54,704
N. Y., N. H. & Hartford	10,801	10,313	9,683	16,801	19,466
New York, Ontario & Western	841	1,194	1,080	3,667	3,666
New York, Chicago & St. Louis	6,627	6,400	7,239	15,007	16,512
N. Y., Susquehanna & Western	387	505	561	2,131	1,917
Pittsburgh & Lake Erie	7,914	7,905	7,728	8,165	9,658
Pere Marquette	5,274	4,881	5,221	8,883	7,905
Pittsburg & Shawmut	762	883	924	44	33
Pittsburg, Shawmut & North	325	385	413	218	322
Pittsburgh & West Virginia	1,046	1,333	1,214	3,194	2,735
Rutland	372	365	342	1,163	1,049
Wabash	6,104	5,666	4,957	12,989	13,619
Wheeling & Lake Erie	6,475	6,312	6,702	4,622	4,299
Total	151,209	163,775	163,113	217,616	236,088
Allegheny District—					
Akron, Canton & Youngstown	764	779	756	1,363	1,252
Baltimore & Ohio	47,010	48,428	41,738	28,353	28,567
Bessemer & Lake Erie	6,911	7,321	6,631	2,064	2,196
Buffalo Creek & Gauley	*	*	264	*	*
Cambria & Indiana	1,585	1,634	1,303	4	3
Central R. R. of New Jersey	5,619	7,203	6,998	18,600	20,293
Cornwall	454	515	669	29	54
Cumberland & Pennsylvania	162	251	276	7	13
Ligonier Valley	91	163	145	52	39
Long Island	1,889	1,655	1,121	4,064	4,773
Penn-Reading Seashore Lines	1,880	1,743	1,765	2,048	2,882
Pennsylvania System	87,704	88,998	83,883	63,926	69,045
Reading Co.	10,782	15,298	15,167	27,938	27,306
Union (Pittsburgh)	20,619	20,500	22,011	7,966	9,495
Western Maryland	3,844	4,125	4,011	12,909	12,529
Total	189,314	198,613	186,738	169,323	176,447
Pocahontas District—					
Chesapeake & Ohio	28,433	29,037	29,435	15,941	14,360
Norfolk & Western	21,484	21,725	22,773	8,483	7,752
Virginian	4,520	4,688	4,784	2,435	2,152
Total	54,437	55,450	56,992	26,859	24,264
Southern District—					
Alabama, Tennessee & Northern	437	311	311	367	455
Atl. & W. P.—W. R. R. of Ala	815	810	673	2,520	3,350
Atlanta, Birmingham & Coast	921	711	770	1,463	1,432
Atlantic Coast Line	11,707	12,320	12,587	9,977	10,235
Central of Georgia	3,885	3,780	4,281	4,638	5,239
Charleston & Western Carolina	516	418	469	1,617	1,855
Clinchfield	1,801	1,665	1,548	2,895	2,953
Columbus & Greenville	223	236	331	281	258
Durham & Southern	147	153	109	592	652
Florida East Coast	1,460	1,672	2,074	1,186	1,487
Gainesville Midland	63	52	37	101	158
Georgia	1,140	1,254	1,110	2,506	3,095
Georgia & Florida	431	340	373	730	698
Gulf, Mobile & Ohio	5,610	3,996	3,840	4,162	4,215
Illinois Central System	29,630	28,748	25,526	18,449	17,037
Louisville & Nashville	27,091	25,761	27,547	12,414	12,602
Macon, Dublin & Savannah	187	207	209	1,074	1,092
Mississippi Central	559	284	224	415	751
Nashville, Chattanooga & St. L.	3,507	3,395	3,566	4,426	4,644
Norfolk Southern	891	980	1,227	1,483	1,706
Piedmont Northern	414	396	365	1,228	1,083
Richmond, Fred. & Potomac	474	413	393	10,845	10,869
Seaboard Air Line	11,246	10,639	11,242	8,521	9,298
Southern System	25,092	24,032	22,142	25,986	25,335
Tennessee Central	582	732	623	802	929
Winston-Salem Southbound	137	134	130	1,140	1,210
Total	128,966	123,439	121,707	119,818	122,647
Northwestern District—					
Chicago & North Western	19,731	19,713	19,393	14,304	13,062
Chicago Great Western	2,428	2,828	2,450	3,345	3,089
Chicago, Milw., St. P. & Pac.	21,459	21,191	19,034	10,519	11,060
Chicago, St. Paul, Minn. & Omaha	3,587	3,351	3,260	3,590	3,637
Duluth, Missabe & Iron Range	26,561	30,048	26,294	320	191
Duluth, South Shore & Atlantic	1,116	671	1,186	602	510
Elgin, Joliet & Eastern	9,057	9,230	8,337	10,520	10,776
Ft. Dodge, Des Moines & South	386	242	407	102	43
Great Northern	24,892	21,765	24,149	7,842	7,119
Green Bay & Western	458	442	424	920	1,010
Lake Superior & Ishpeming	2,024	1,980	2,984	57	56
Minneapolis & St. Louis	1,972	1,869	1,957	2,462	2,455
Minn., St. Paul & S. S. M.	7,520	6,697	6,665	3,380	4,458
Northern Pacific	11,932	10,230	10,497	6,210	5,954
Spokane International	276	180	171	571	760
Spokane, Portland & Seattle	2,939	2,793	2,535	4,060	3,528
Total	136,338	133,230	129,743	68,804	67,708
Central Western District—					
Atch., Top. & Santa Fe System	26,532	22,573	21,901	16,081	12,126
Alton	3,326	3,210	2,553	4,338	3,450
Bingham & Garfield	365	395	650	75	88
Chicago, Burlington & Quincy	18,669	17,957	16,364	12,128	13,611
Chicago & Illinois Midland	3,072	3,540	2,800	1,009	839
Chicago, Rock Island & Pacific	12,807	11,517	12,726	12,815	12,637
Chicago & Eastern Illinois	2,966	2,538	2,379	5,784	6,444
Colorado & Southern	536	698	715	2,080	2,462
Denver & Rio Grande Western	3,410	3,624	3,386	7,373	6,107
Denver & Salt Lake	538	699	642	33	21
Fort Worth & Denver City	1,047	804	780	1,744	1,511
Illinois Terminal	2,407	2,122	1,546	2,198	1,929
Missouri-Illinois	1,117	876	1,009	646	688
Nevada Northern	1,492	1,748	2,079	103	129
North Western Pacific	703	829	1,102	682	748
Peoria & Pekin Union	0	4	4	0	0
Southern Pacific (Pacific)	32,369	31,454	31,229	13,661	13,846
Toledo, Peoria & Western	410	247	239	2,308	2,015
Union Pacific System	15,633	14,077	12,295	19,409	17,234
Utah	517	541	579	7	1
Western Pacific	2,303	2,229	2,227	5,784	4,242
Total	130,219	121,682	117,205	102,258	100,128
Southwestern District—					
Burlington-Rock Island	398	315	1,032	542	586
Gulf Coast Lines	7,636	7,437	6,476	2,480	2,927
International-Great Northern	3,032	2,735	2,528	4,461	3,987
Kansas, Oklahoma & Gulf	387	285	232	1,194	908
Kansas City Southern	5,243	6,072	4,746	3,153	2,863
Louisiana & Arkansas	4,028	3,650	3,581	3,338	2,924
Litchfield & Madison	316	459	329	1,396	1,103
Midland Valley	599	697	353	509	552
Missouri & Arkansas	169	189	97	316	564
Missouri-Kansas-Texas Lines	7,198	6,603	5,015	5,707	5,325
Missouri Pacific	17,090	16,005	14,271	21,048	20,198
Quanah Acme & Pacific	89	70	51	367	363
St. Louis-San Francisco	9,981	8,603	6,867	9,793	8,837
St. Louis Southwestern	3,513	2,948	2,860	7,697	7,594
Texas & New Orleans	12,672	13,193	14,838	5,788	5,144
Texas & Pacific	5,652	4,480	4,941	8,182	7,669
Wichita Falls & Southern	100	119	99	50	60
Weatherford M. W. & N. W.	48	26	28	39	46
Total	78,151	73,886	68,344	76,060	71,650

*Included in Baltimore & Ohio RR.

Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1945—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
February 3	204,550	148,139	565,064	92	91
February 10	149,590	151,307	560,960	93	92
February 17	145,541	149,816	553,609	93	92
February 24	131,989	152,755	529,238	97	93
March 3	181,377	150,486	558,285	96	93
March 10	177,711	152,611	580,804	94	93
March 17	129,948	153,625	557,986	95	93
March 24	137,911	158,551	537,005	99	94
March 31	178,483	162,386	549,631	100	94
April 7	203,891	146,832	604,720	92	94
April 14	159,733	158,938	604,214	97	94
April 21	125,708	162,040	564,631	98	95
April 28	142,387	158,854	546,311	99	95
May 5	223,162	161,764	605,892	97	95
May 12	152,208	153,111	602,717	94	95
May 19	126,285	158,532	565,867	97	95

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Wallace Praises RFC Loans Program

Calling the Reconstruction Finance Corporation's new program of guaranteeing private loans to business firms "a step in the right direction," Secretary of Commerce Henry A. Wallace indicated that his department and the R. F. C., separated by Congress after a bitter struggle, may be working together in harmony, according to Associated Press advices from Washington, May 23.

Speaking of the new loan program, Mr. Wallace said:

"This will cover part of the needs in the small business field." There may be further needs, he indicated, particularly "equity capital" obtained by selling stock rather than by borrowing from banks.

The Commerce Department and the R. F. C. used to be under the same man, Jesse H. Jones. When Mr. Jones was ousted by President Roosevelt in January and former Vice-President Wallace was appointed to succeed him, Congress separated the R. F. C. from the Commerce Department and thus prevented Mr. Wallace from controlling the R. F. C.'s huge lending powers.

During the fight over this, Mr. Wallace declared on Jan. 25 that "the real issue is whether or not the powers of the Reconstruction Finance Corporation and its giant subsidiaries are to be used only to help big business or whether these powers are also to be used to help little business and to help carry out the President's commitment of 60,000,000 jobs."

Other factors in the increasingly friendly relationship between the Commerce Department and the R. F. C., the Associated Press points out, are:

1. Mr. Walace has always got along well with John W. Snyder, who as Federal Loan Administrator is the new boss of the R. F. C. There is no personal antagonism between them, as there was between Mr. Wallace and Mr. Jones.

2. Mr. Snyder is a member of Mr. Wallace's Small Business Advisory Committee, and as such can be counted as one of Mr. Wallace's advisers. Mr. Wallace appointed him on March 2 when he was a private banker in St. Louis. This advisory committee has been studying the financial needs of small business and is understood to have made a report which now is under consideration by Mr. Wallace.

3. Ever since becoming Secretary of Commerce on March 2, Mr. Wallace has apparently been seeking to work smoothly with business. In a much-discussed magazine article he said business loans ought to make sense to a private lending institution before they are guaranteed by the government.

Lumber Movement—Week Ended May 19, 1945

According to the National Lumber Manufacturers Association, lumber shipments of 465 mills reporting to the National Lumber Trade Barometer were 1.4% below production for the week May 19, 1945. In the same week new orders of these mills were 5.4% less than production. Unfilled order files of the reporting mills amounted to 111% of stocks. For reporting softwood mills, unfilled orders are equivalent to 37 days' production at the current rate, and gross stocks are equivalent to 32 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 6.9%; orders by 11.3%.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 14.4% greater; shipments were 12.8% greater; orders were 12.1% greater.

Items About Banks, Trust Companies

John T. Madden, President of the Emigrant Industrial Savings Bank, N. Y., announced on May 27 that starting on Monday, June 4, the Midtown branch of the bank at 5 East 42nd Street, would remain open until 9 o'clock on Monday and Friday nights.

In his statement concerning the increased service to depositors and the general public, Mr. Madden said, "Before making this arrangement we conducted a ten-week survey of banking habits and found that Monday, as well as Friday, was an especially busy day.

Henry B. Molony was recently appointed trust officer of the City Bank Farmers Trust Co., New York. Others who were appointed Assistant Vice-Presidents are Robert C. Oley, Charles F. Piedmonte, Seth H. Seelye and Myron M. Zizzania. C. C. Noel was made Assistant Secretary.

Walter John Reeves, Vice-President and Secretary of the Irving Savings Bank, New York, died on May 20 at 60 years of age. Mr. Reeves was at one time connected with the Colonial Savings Bank and Brooklyn Savings Bank. He also held the position of Executive Secretary of the Savings Bank Association of New York. Mr. Reeves joined the Irving Savings in 1923 as Vice-President and in 1937 assumed the position of Secretary.

Guaranty Trust Co. of New York at its coupon paying division is now prepared to make payment, in U. S. dollars, of interest warrants due Jan. 1, 1945, detached from its deposit certificates for State of San Paulo (Brazil), 25-year (non-callable) 7% milreis loan bonds, due Jan. 1, 1946. May 24, 1945.

Malcolm L. Hadden was recently appointed Assistant Trust Officer of the Fifth Avenue Bank of New York.

The Utica Avenue office of Manufacturers Trust Co. of New York was moved after banking hours on Saturday, May 26, from 263 Utica Avenue, Brooklyn, to 257 Utica Avenue. Louis J. Orloff, Assistant Secretary, is in charge of the office. Frederick W. Bruchhauser is superivising Vice-President for the Brooklyn offices of Manufacturers Trust Co.

A banking innovation, aimed to increase accounts by planned savings for specific post-war purchases, has recently been inaugurated by the Dime Savings Bank of Brooklyn, N. Y. Within the limited period of its operation it has already resulted in some 1,050 new accounts with total deposits in excess of $600,000, according to Alfred R. Marcks, mortgage officer of the bank.

The plan, known as "The Home Buyers Institute," works this way: An entire floor of the bank houses a permanent exhibit of many types of products in the home building or improvement field. A series of by-weekly lecture sessions, each featuring a specific type of home equipment, is conducted in the bank's auditorium. The lectures are advertised in New York and Brooklyn papers and publicized through other channels. Where the nature of the product permits, a demonstration of its use is made a part of the lecture.

While the bank's facilities are made obvious, no pressure is exerted on visitors to open an account. Bank officials are confident that the business of home financing will stay with the bank, which has shown such initiative in selling the savings idea, and they have estimated that 95% of funds thus deposited will be spent for the specific objects which the depositor originally intended.

The proposed merger of the Manufacturers & Traders Trust Co., Buffalo, N. Y., and The First National Bank of Kenmore, N. Y., have been agreed upon by the directors of both institutions, it was announced by Lewis G. Harriman and George H. Bangert, Presidents of the banks. The stock of the banks will be exchanged share-for-share for new stock. The merger has yet to be approved by the stockholders of both institutions and by the State Superintendent of Banks.

When the merger does become effective, G. H. Bangert, President of the Kenmore bank, will become head of both branches. Mr. Bangert, who is also a director of the M. & T., will be active in the Kenmore branch of the bank.

Roy L. Robeson, Assistant Secretary of the Manufacturers & Traders Trust Co., Buffalo, N. Y., has been elected President of the Buffalo Chapter, American Institute of Banking, announced the Buffalo "Evening News" on May 26, which also said:

He succeeds C. Edward Berryman, Assistant Treasurer of the Marine Trust Co.

Other officers elected are: First Vice-President, Edward N. Sandal, Liberty Bank; Second Vice-President, Leo Werdein, Federal Reserve Bank, Secretary; I. C. Grimmer, Marine Trust, and Treasurer, John K. Stewart, M. & T.

Application for permission to open and maintain a branch office at 938-944 Broadway, Buffalo, N. Y., was recently filed by the Erie County Savings Bank, Buffalo, N. Y., it was announced by the New York State Banking Department.

The New York State Banking Department announced on May 25 that the Puchowitzer Credit Union of New York City has been dissolved and its corporate existence terminated.

A similar action was announced against the Troy Trust Co., Troy, New York.

Frank B. Twining, Chairman of the board of the Manufacturers National Bank of Troy, N. Y., and director of the Troy Savings Bank, Troy, N. Y., died on May 19 at 88 years of age.

Mr. Twining was well known as President of George P. Ide & Co., Inc., collar and shirt producers, with which he has been connected since 1880.

Frank L. Beyer, President of the Erie Savings & Loan Association, died on May 21. Mr. Beyer first became associated with the Erie savings institution in 1917, when he was elected a director. He was made President in 1933.

At their regular meeting on May 17 the board of trustees of the Port Chester Savings Bank of Port Chester, N. Y., elected as a trustee Edward J. Hughes, editor of the Port Chester "Daily Item." The present is the 80th anniversary year of the bank, the institution having been originally chartered in 1865.

The death of Henry T. Bush on May 17 was announced by the Farmers Bank of the State of Delaware, Wilmington, Del.

John Harding has recently accepted the position of Assistant Secretary with the Union Savings & Trust Co., Warren, Ohio. Mr. Harding has been in the banking business for 12 years and was formerly connected with Cleveland Trust Co., Cleveland, Ohio.

John K. Thompson, President of the Union Bank of Commerce, Cleveland, Ohio, announced that three new officers of the bank were elected at the organization meeting of directors following the annual meeting of shareholders on May 23. They are Lewis C. Van Auken, Assistant Vice-President, and Edward W. McNelly and W. T. McWade, Assistant Cashiers.

Mr. Van Auken has been in banking since 1919, when he became an examiner for the Michigan State Banking Department. He was later Vice-President of the Bank of Detroit and of its successor, the Guardian National Bank of Commerce.

Mr. McNelly was graduated from Adelbert College of Western Reserve University in 1931 and for two years attended the Graduate School of Business Administration of New York University. He spent three years with the Chemical Bank & Trust Co., New York. In 1940 he joined the investment department of the Union Bank of Commerce.

Mr. McWade has been manager of the Union Bank of Commerce credit department since 1941 and has been in credit work with the bank and predecessor since 1924. He is Secretary of the Cleveland Chapter of the Robert Morris Associates and a trustee of the Cleveland Association of Credit Men.

All other officers of the bank were reelected.

In order to give his successor the benefit of an additional year in office, David J. Arnold, President of the Georgia Bankers Association, resigned on May 23. Sherman Drawdy, new President, is First Vice-President and Cashier of the Railroad Bank & Trust Co., Augusta, Ga.

Earl I. Vaughn, Vice-President of the Bank of America, San Francisco, Calif., since 1936, has been transferred to the banks and banking department of the bank. Mr. Vaughn has heretofore been in charge of advisory boards and staff education.

Joseph J. Pausner has recently been appointed Assistant Vice-President of the Anglo California National Bank, San Francisco, Calif. Mr. Pausner has been engaged in development of special loan business and instalment financing for the bank.

H. D. Ivey, President, Citizens National Trust & Savings Bank of Los Angeles, announced on May 23 that ground would be broken this week for the erection of a one-story reinforced concrete bank building at the northeast corner of Manchester Boulevard and Seventh Avenue, Inglewood.

A branch office of Citizens National Bank will be opened at this location some time during October.

Mr. Ivey, commenting on the establishment of the branch office of Citizens National Bank in this area, said: "With the rapid growth of this section of Inglewood there has come increased need for banking facilities to serve the population therein."

R. L. Eberhardt, Executive Vice-President of the Stockton Savings & Loan Bank, Stockton, Calif., on May 23 was elected President of the California Bankers Association at a small business meeting.

The Los Angeles "Times," in reporting this, said:

"He succeeds P. R. Williams, Vice-President, Bank of America, Los Angeles, who served during the past year. Other officers elected include M. G. McMahon, President, First National Bank at Glendale, Vice-President, and Herbert V. Alward, Vice-President and Cashier, Bank of California, San Francisco, Treasurer.

"William A. Marcus, Vice-President, American Trust Co., San Francisco, was elected Chairman of the executive council, governing board of the association, a position which generally leads to the presidency."

Cable advices received on May 25 by the New York agent of Barclays Bank (Dominion, Colonial and Overseas), 120 Broadway, New York, state that the bank has declared interim dividends of 4% actual on the cumulative preference stock and 3% actual on the A stock and B shares, payable on June 15, 1945. These dividends are for the period Oct. 1, 1944, to March 31, 1945, and are subject to deduction of British income tax (adjusted in relation to taxes payable in the British territories overseas where the bank operates).

The dividends are the same as those declared for the corresponding period one year ago.

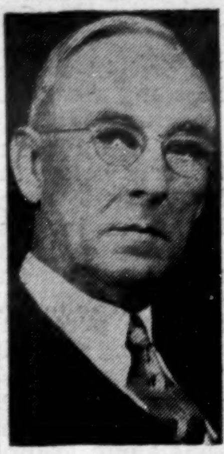
This bank, which is affiliated to Barclays Bank, Ltd., London, maintains branches in territories of the British Commonwealth overseas, including South, East and West Africa, Egypt and The Sudan, the Mediterranean, Palestine and the British West Indies.

Promotions in Cleveland Reserve

Ray M. Gidney, President of the Federal Reserve Bank of Cleveland, Ohio, recently announced the promotion of Roger R. Clouse from Secretary of the Bank to Assistant Vice President and Secretary.

Promotion of two department managers to assistant cashiers and the appointment of a Youngstown and Cleveland attorney as assistant secretary was announced at the same time.

James B. Anderson, manager of the Bank and Public Relations department, and Paul C. Stetzelberger, manager of the Personnel department, were advanced to Assistant Cashiers.


James B. Anderson

Wilbur T. Blair, Jr.

Roger R. Clouse

P. C. Stetzelberger

Wilbur T. Blair, Jr., Youngstown attorney who since 1942 has been attorney and administrative officer for the War Department's Cleveland Ordnance District, was named Assistant Secretary of the bank. He will assume his new duties June 1.

Results Of Treasury Bill Offering

The Secretary of the Treasury announced on May 28 that the tenders of $1,300,000,000 or thereabout of 91-day Treasury bills to be dated May 31 and to mature Aug. 30, 1945, which were offered on May 25, were opened at the Federal Reserve Banks on May 28.

The details of this issue are as follows:

Total applied for, $2,043,109,000

Total accepted, $1,314,409,000 (includes $51,401,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99,905, equivalent rate of discount approximately 0.375 per annum.

Range of accepted competitive bids.

High, 99.910, equivalent rate of discount approximately 0.356% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(60% of the amount bid for at the low price was accepted).

There was a maturity of a similar issue of bills on May 31 in the amount of $1,314,147,000.

Wickard Called Unfit For REA Position

Claude R. Wickard, who resigned as Secretary of Agriculture and was then nominated by President Truman to be Rural Electrification Administrator has been called "unfit" for the post by Senator Shipstead (R.-Minn.), according to the Associated Press from Washington, May 25, which quotes the following from the Senator's statement:

"The nomination of Secretary Wickard for REA administrator is a complete shock to nearly all REA systems who have been struggling to remove REA from the political domination of Secretary Wickard in the Department of Agriculture. As a one-man Senate investigation of REA disloses, under Mr. Wickard's regime, REA has become a political football. His confirmation as administrator of REA would perpetuate the hopeless political muddle that exists in REA today.

"Under that regime Mr. Wickard appointed William J. Neal as acting administrator of the REA. The Senate documentary evidence all reveals Mr. Neal was the former president of the worst managed of all REA cooperatives in this country. Mr. Neal's former system is $180,000 in the red in operations. This is the kind of political administration Mr. Wickard has in REA today and which will continue under Mr. Wickard if he is approved.

"Another illustration of the bad administration of Secretary Wickard in REA today is that in the Senate hearings, the present acting chief of one of the most important divisions in RET was alleged to have forced the sale of certain materials to REA systems, and was alleged to have changed plans and specifications.

"Under Mr. Wickard's bad administration in REA, the cost of legal services today is more, when REA is only building 16,000 miles of line a year, than previously when REA built over 118,000 miles of line a year.

"Under Mr. Wickard's bad administration in REA, at a time when veterans and faithful civil service employees were discharged, one employee, whose services can easily be dispensed with, received $50 a day. Although he spends only one or two days a year in Washington, and all the rest of his time while working in St. Louis, his headquarters are nevertheless listed as Washington."